



Asset Management Policy





BUDGET POLICY



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DEFINITIONS

"Accounting Officer"- 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, 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 legislation regulating municipal property rates; or

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

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

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

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

"councillor" means a member of a municipal council;

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

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

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

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

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

(a) a statement of financial position;

(b) a statement of financial performance;

(c) a cash-flow statement;

(d) any other statements that may be prescribed; and

(e) any notes to these statements;

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

"financing agreement" includes any loan agreement, lease, and 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;

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

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

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;

(c) expenditure from a vote unrelated to the department or functional area covered by the vote;

(d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;

(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or

(f) a grant by the municipality otherwise than in accordance with the MFMA;

"virement" means transfer of funds between functions / votes

"vote" means-

(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and

(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

1. INTRODUCTION

In terms of the Municipal Finance Management Act, No.56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), state that the council of a municipality must for each financial year approve an annual budget for the municipality before 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, analyzed, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals.

In brief, the conceptualization and the operationalization on of the budget must be located within the national government's policy framework.

2. OBJECTIVE

The objective of the budget policy is to set out:

- a) The principles, which the municipality will follow in preparing each medium term
- b) Revenue and expenditure framework budget,
- c) The responsibilities of the executive mayor, the accounting officer, the chief
- d) Financial officer and other senior managers in compiling the budget
- e) To establish and maintain procedure to ensure adherence to Langeberg Municipality's IDP review and budget processes.

3. BUDGET STEERING COMMITTEE

The Mayor of the Municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act. The steering committee must consist of at least the following persons:

- The Mayor
- The MMC responsible for Finance
- The MMC responsible for the IDP/LED/Strategic Management
- The Municipal Manager
- The Director: Finance
- The Director: Strategic Management

4. GENERAL BUDGETING PRINCIPLES

- The Budget and Budget Preparation process shall comply with the requirements of the Municipal Finance Management Act of 2003 and nothing contained in this policy shall contradict the said legislation.
- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.
- When preparing its budget, Council must ensure that the budget is in accordance with its Integrated Development Plan.

4.1. Capital Budgets

The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year.

4.1.1. Basis of Calculation

- a. The **zero based method** is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- b. The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
- c. The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being compiled.
- d. In addition, the council shall consider the likely impact of such operational expenses-net of any revenues expected to be generated by such item- on future property rates and service tariffs.

4.1.2. Budget Principles

- a. Expenditure of a project shall be included in the capital budget if it meets the assets definition i.e. result in an asset being acquired or created and its value exceeds R10,000 and has a useful life in excess of one year
- b. Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- c. A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- 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 not been committed for other purposes.

- e. Before approving a capital project, the Council must consider:
 - i. A business plan for each capital project which indicate cost of the project over all the ensuing financial years until the project becomes operational, 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).
 - ii. the documentary proof of estimates and calculations to support the project costs of each capital project.
- 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 loan.
 - 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 balanced and fully funded.

4.1.3. Funding of Capital Budget

The capital expenditure shall be funded from the following source:

4.1.3.1 Revenue of Surplus

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

4.1.3.2. External loans

- a. External loans can be raised only if it is linked to the financing of an asset;
- b. A capital project to be secured or if can be reasonably assumed as being secured;
- c. Interest payable on external loans shall be included as a cost in the Expenditure budget;
- d. Finance charges relating to such loans be charged to or apportioned only between the departments or votes to which the projects relate.

4.1.3.3. Capital Replacement Reserve (CRR)

- a. Council shall establish a CRR for the purpose of financing capital projects
- b. And the acquired of assets. Such reserve shall be established from the following sources

of revenue:

- i. Inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - ii. Interest on the investments of the CRR, appropriated in terms of the investments policy;
 - iii. Additional amounts appropriated as contributions in each annual or adjustments budget; and
- c. 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;
- d. If there is insufficient cash available to fund the CRR, this reserve fund must then be adjusted to equal the available cash;
- e. Transfers to the CRR must be budgeted for in the cash budget.

4.1.3.4 Grant Funding

(a) Non capital expenditure funded from grants

- i. Must be budgeted for as part of the revenue budget;
- ii. Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.

(b) Capital expenditure must be budgeted for in the capital budget;

© Interest earned on investments of Conditional Grant Funding shall be capitalized if the condition stated the interest accumulate in the fund.

(d) If there is no condition stated the interest can then be allocated directly to the revenue accounts.

(e) Grant funding does not need to be cash backed but should be secured, before spending can take place.

4.1.4. Process and responsible parties

The process to be followed in the compilation of the capital budget is as follows:

- a. The CFO, in conjunction with the Manager: Budget Office, and after consultation with the Municipal Manager set the reasonable growth level of the capital budget to be financed out of own sources (CRR).
- b. business plans for each capital project which indicate the cost of the project over all the ensuing financial years until the project becomes operational, 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) must be compiled.
- c. Documentary proof of estimates and calculations to support the project costs of each capital project must be provided with the business plans.
- d. The draft capital budget is compiled based on the projects that emanated out of the engagements with the different stakeholders.
- e. The CFO, together with the Municipal Manager and Manager Budget Office, engage with the Directors and the IDP Manager in order to determine the priorities for a particular financial year and to determine the ranking of projects based on these priorities.

- f. The draft capital budget is submitted to the Budget Steering Committee for their perusal and suggestions.
- g. The draft capital budget is tabled to Council 90 days before the start of the new financial year (31 March).
- i. After the draft budget is approved by Council, it is released for public comment.
- j. Once the comments from the public have been submitted, noted and considered, amendments are made to the draft budget and the budget is tabled to Council for final approval 30 days before the start of the financial year (30 May)

4.1.5. Implementation

- a. After the budget has been approved, the service delivery and budget implementation plan (SDBIP) should be compiled.
- b. The SDBIP must be tabled to the Mayor within 28 days after aforementioned approval.
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- c. Each director has to indicate the intended spending patterns of both their capital and operating budgets. (Cash flows)
- d. These listed cash flows are consolidated into the Service Delivery and Budget Implementation Plan of the organisation.
- e. The SDBIP will be monitored on a monthly basis where actual spending will be compared with the planned spending as indicated by the directors at the beginning of the year.
- f. Each directorate must use their respective vote numbers as indicated on the capital budget

4.2. Operational Budget

The operational budget refers to the funds that would be raised in the delivery of basic services, grants & subsidies, rates and any other municipal services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the organization.

4.2.1. Basis of Calculation

- a. The **incremental approach** is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
- b. The annual operating budget shall be based on realistically anticipated revenue, which should be equal to the anticipated operating expenditure in order to result in a balanced budget.
- c. An income based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a balanced budget.
- d. The anticipated operating expenditure will be based on the actual spending patterns of the previous years.

4.2.2. Financing

The operating budget shall be financed from the following sources of financing

a. Service Charges

- (i) Property Rates
- (ii) Electricity Charges
- (iii) Water Sales
- (iv) Refuse Removal Fees
- (v) Sewerage Fees

Service charges shall be based on the tariff growth rate as agreed upon.

b. Grants & Subsidies

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organization.

c. Interest on Investments

The budget for interest and investment shall be in accordance with the Cash Management and Investment policy of the organization.

d. Rental Fees

Fees for rental property will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year

e. Fines

Fees for fines will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year.

f. Other Income

All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year

4.2.3. Expenditure Budget Categories

The following expenditure categories shall be accommodated in the operating budget.

a. Salaries, Wages and Allowances

The salaries and allowances are calculated based on the percentage increases as per the collective agreement between organised labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitations and percentages as determined by the Department of Cooperative Governance in terms of the Remuneration of Public Office Bearers Act, 1998.

b. Bulk Purchases

The expenditure on bulk purchases shall be determined using the tariffs as stipulated by the Water Boards and NERSA and by any other service provider from time to time.

c. Other General Expenditure

A percentage growth for all other general expenditure will be based on the percentage determined by Financial Services in line with prevailing growth rates and the CPIX.

d. Depreciation

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets.

e. Repairs and Maintenance

The budget of repairs and maintenance shall be based on the increment as determined by Financial Services in conjunction with the needs of the departments in terms of repairing their assets.

f. Capital Expenses

Capital expenses refer to interest and redemption that has to be repaid on an external loan taken up by Council. The budget for capital expenses will be determined by the repayments that the municipality is liable for, based on the agreements entered into with the other party.

g. Contributions to Funds

Refers to the contribution made to provisions (e.g. leave reserve fund) on a monthly basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.

h. Less: Debited Elsewhere

This category refers to interdepartmental charges within the organization. The performance of each of line items is analysed and then the budget is based on the preceding year's performance.

i. Appropriations

Refers to the transfers to- and from the capital replacement reserve, to offset depreciation charges. Appropriations are determined on an annual basis.

5. FINANCIAL STRATEGY

The purpose of the financial strategy is to give an indication of the financial resource envelope that is available for capital and operational expenditure and includes revenue strategies, operational expenditure strategies and capital financing strategies.

5.1 OPERATING REVENUE STRATEGIES

The needs of the community, the ability of the community to pay for the services provided to them and the growth rate allowed by National Treasury should be taken into account when Council considers the annual increase in tariffs and the average effect thereof on consumer accounts.

- Any increase in consumer tariffs should be relative to the current CPIX.
- The estimated actual income for a financial year should be based on the July to December income figures.
- Natural growth rate in services electricity, water, waste removal and sanitation be based on the current situation in the local economy.
- Cross subsidisation and profit on turnover guidelines should be contained in the respective tariff policies. This must be investigated to ensure that these services do not contribute to excessively and thereby putting service delivery and affordability under pressure.
- The revenue estimates should be realistic because the operating expenditure budget will be based on the total revenue budget.

5.2. OPERATING EXPENDITURE STRATEGIES

5.2.1 To ensure that the Council spends revenue efficiently, effectively and within the Council's priorities, spending targets for the six expenditure categories (Remuneration, General expenses, Repairs & Maintenance, Depreciation, Contribution towards Capital and Contribution towards Funds) should annually be determined.

5.2.2 The operating budget must be balanced, to ensure that operating expenditure does not exceed realistically anticipated revenue. To avoid a shortfall Council should consider the following:

- Remuneration already constitutes a substantial percentage of the budget operating budget and any increase may have an adverse impact on service delivery and consequential affordability for the residents. The creation of any new post or growth in the staff expenses must be handle with care.

- Departments must indicate their needs to maintain the assets of the Municipality.
- The identification of non-core functions and unfunded mandates must at all times be taken into account by the different departments. Cost effectiveness of current functions must play a major role in allocation of funds.
- The Municipal Budget and Reporting Regulations issue in terms of the Municipal Finance Management Act and the General Recognized Accounting Practices will form the basis of the format of the operating budget.
- The Chief Financial Officer must prepare budget guidelines before the commencement of the budget process.
- Activities for spending the budget must be planned as far as possible to ensure that the budgeted amount are spent in May each year.

5.3. CAPITAL EXPENDITURE STRATEGIES

- All efforts must be made to access national or provincial grants.
- Grants must be spent fully to ensure that maximum allocations are received in the next financial year
- The capital budget from own funds must be limited to the available cash in the Capital Replacement Reserve
- The following funding sources must be used for financing capital projects:
 - ✓ Grants (National and Provincial)
 - ✓ Public Contributions
 - ✓ Own funds
- External loans will only be considered taken up when no other funding source is available.

6. BUDGET PREPARATION PROCESS

6.1 The Chief Financial Officer shall prepare a draft budget timetable for the ensuing financial year which shall be tabled by the Executive Mayor to Council for approval at least 10 months before the start of the next budget year (by 31 August each year). The budget timetable shall contain key deadlines for:

- a) the annual review of the IDP
- b) the review of budget related policies
- c) the preparation, tabling and approval of the annual budget
- d) the consultative processes forming part of the budget process.

Heads of Departments shall ensure that they meet the deadlines as set out in the Budget Timetable.

- 6.2 The Budget Steering Committee shall give general direction to the budget process and also indicate affordable budget growth and envisaged tariff increases as the base line of the budget process.
- 6.3 The draft operating budget is compiled based on the direction as given by the Budget Steering Committee.
- 6.4 The draft operating and capital budget is submitted to the Budget Steering Committee for their perusal and suggestions.
- 6.5 The Executive Mayor shall table the draft annual budget to Council at least ninety days before the start of the new financial year.
- 6.6 Immediately after the draft annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and invite the local community to submit representations in regard to such budget. The public participation process must be a formal process and must ensure adequate consultation as contemplated in the MFMA.
- 6.7 Council shall consider approval of the annual budget at least 30 days before the start of the financial year to which it relates. The resolutions and performance objectives referred to in Section 17 of the MFMA must simultaneously be adopted.
- 6.7 The annual budget must be approved before the start of the budget year to which it relates.
- 6.8 The budget tabled to Council for approval shall include the following supporting documents:

- a) The budget must be in the format prescribed by National Treasury and must be divided into a capital and an operating budget.
- b) The budget must be balanced and reflect the realistically anticipated revenues by major revenue source for the budget year concerned.
- c) The expenses reflected in the budget must be divided into different categories (for operating budget) and different capital projects or services (for capital budget).
- d) The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

6.9 The budget must be accompanied by all the following documents:

- a) draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- b) draft resolutions (where applicable) amending the IDP and the budget- related policies;
- c) measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- d) the projected cash flows for the financial year by revenue sources and expenditure votes broken down per month;
- e) any proposed amendments to the IDP;
- f) the cost to the municipality for the budget year of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers employed in terms of Section 57 of the Municipal Systems Act;
- g) 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 NGOs, welfare institutions and so on; and
- h) particulars of the municipality's investments.

6.10 The Chief Financial Officer must within 14 days after approval of the budget submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format prescribed by national and provincial organs of state and other municipalities affected by the budget and insert it onto Council's website.

6.11 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. The SDBIP should include the following five components:

- a) Monthly projections of revenue to be collected for each source

- b) Monthly projections of expenditure (operating and capital) versus actual expenditure for each vote
- c) Quarterly projections of service delivery targets and performance indicators for each vote
- d) Ward information for expenditure and service delivery
- e) Detailed capital works plan broken down by ward over three years

The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the previous three years, and the estimated revenues and expenses for the current year.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

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,
- (iii) borrowed funds in respect of the capital budget only, and
- (iv) grant funding from Provincial and National Government.

8. OPERATING BUDGET PREPARATION

The Chief Financial Officer, jointly with Heads of Departments, under the oversight of the Budget Steering Committee, shall develop a balanced operating budget before it is submitted to Council in March every year, according to the approved Budget Timetable and based on the IDP, legislative requirements, Budget Strategy and assumptions approved by Council.

Heads of Departments shall establish budget requirements in respect of Maintenance of Assets, taking cognisance of backlogs and shall, in consultation with the Chief Financial Officer prepare a strategy to address such maintenance needs and backlogs.

Revenue projections shall be done by the respective Departments in consultation with the Chief Financial Officer, taking cognisance of actual performance, economic growth opportunities as well as affordable and acceptable tariff increases.

The municipality shall budget in each annual and adjustment budget for the contribution to:

- ☐ Provision for accrued leave entitlements equal to 100% of the accrued leave,
- ☐ Provision for bad debts in accordance with its rates and tariffs policies,
- ☐ Depreciation and finance charges shall be charged to or apportioned between the departments or votes to which the projects relates.
- ☐ An adequate percentage of the operating budget component of each annual and adjustments budget should be set aside for maintenance.

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.

The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

9. CAPITAL BUDGET PREPARATION

9.1 Every Head of Department shall, in respect of the activities of the Department, in consultation with the Chief Financial Officer, prepare, when requested by the Municipal Manager, a Capital Budget reflecting estimates and actual expenditure for the current financial year;

9.2 No capital project will be accepted for inclusion into the draft budget unless it is accompanied by the projected cost covering all financial years until the project is operational, future operational costs and revenue and a cash flow for the project.

9.3 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 its value exceeds R500 and has a useful life in excess of one year.

9.4 The municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget

9.5 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.

10. QUALITY CERTIFICATION

Whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation or an in-year report of the 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, as the case may be, and signed by the municipal manager.

11. PUBLIC PARTICIPATION PROCESS

Immediately after the draft budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public and stakeholders to make representation at the council hearings and submit comments in response to the draft budget.

12. BUDGET IMPLEMENTATION

- a) (a) The Municipal Manager with the assistance with the Chief Financial Officer and other senior 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;
 - expenses are reduced if expected revenues are less than projected; and
 - revenues and expenses are properly monitored.
- b) Heads of Departments are responsible for the management and control of the Budgets of their Departments in conjunction with the Chief Financial Officer and shall present reports to the Municipal Manager in this regard whenever requested to do so.
- c) The Municipal Manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

13. ADJUSTMENT BUDGETS

Adjustment budgets must be handled in terms of the Municipal Budget and Reporting Regulations which specifies the formats and funding of adjustment budgets as well as the timeframes for tabling of adjustment budgets.

Expenditure may only be incurred on amended budgets after approval by Council of such Budget amendment, except in case of emergency or other exceptional circumstances as defined in Section 29 of the MFMA.

The municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation which must be in the format specified in Schedule B or the Municipal Budget and Reporting Regulations. This should thus 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.

The Adjustments budget must be submitted to National and Provincial Treasury within ten working days after the mayor has tabled it in the municipal council.

The Adjustment budget must be submitted to National and Provincial Treasury in both printed and electronic form.

Within ten working days after the municipal council has approved an adjustments budget, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved adjustments budget and supporting information, as well as the resolutions referred to.

14. REPORTING

Monthly budget statements

The accounting officer with the assistance with 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.

Mid-year budget 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 against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.

(b) The accounting officer must submit a report on such assessment to the Executive Mayor, Provincial Treasury and National Treasury by 25 January each year.

(c) The accounting officer may in such report make recommendations after considering the recommendation of the chief financial officer for adjusting the annual budget and revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

(d) The following documentation must be placed on the municipality's website:

- The annual and adjustments budgets and all budget related documents
- All budget related policies
- The Integrated Development Plan
- The annual report
- All performance agreements
- All service delivery agreements

- All long term borrowing contracts
- All quarterly and mid-year reports submitted to Council on the implementation of the budget and the financial state of affairs of the municipality.

15. LEGAL REQUIREMENTS

This policy must be read together with the Act on Local Government: Municipal Finance Management Act, Act 56 of 2003 as well as the Municipal and Reporting Regulations as per Gazette 32141 of 17 April 2009.

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PREAMBLE

- Section 63 of the Municipal Finance Management Act Number 56 of 2003 governs Asset and Liability Management and states the following:

Asset and liability management

63. (1) The accounting officer of a municipality is responsible for the management 10
of—

- (a) the assets of the municipality, including the safeguarding and the maintenance of those assets; and
- (b) the liabilities of the municipality.

(2) The accounting officer must for the purposes of subsection (1) take all reasonable 15
steps to ensure—

- (a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- (b) that the municipality's assets and liabilities are valued in accordance with 20
standards of generally recognised accounting practice; and
- (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

The Municipal Finance Management Act Number 56 of 2003 will be the legislative framework for the Asset Management Policy whilst Generally Recognised Accounting Practice (GRAP) will be the accounting framework.

- The Municipal Council of Langeberg is in terms of the MFMA and GRAP obliged to adopt an Asset Management Policy to regulate the effective management of all council's assets.
- **And whereas** the Municipal Manager as accounting officer of municipal funds, assets and liabilities is responsible for the effective implementation of the asset management policy which regulates the acquisition, safeguarding, maintenance of all assets and disposal of assets where the assets are no longer used to provide a minimum level of basic service as regulated in terms of section 14 of the MFMA.
- **And whereas** these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes in meeting the municipality's operational requirements.

- **Now therefore** the municipal council of the Langeberg Municipality adopts this asset management policy:

1. DEFINITIONS

- 1.1 **Accounting Officer** means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no 117 of 1998) and being the head of administration and accounting officer in terms of Section 55 of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000).
- 1.2 **Agricultural Produce** is the harvested product of the municipality's biological assets.
- 1.3 **Biological Assets** are defined as living animals or plants.
- 1.4 **Capital Assets** are items of Biological Assets, Intangible Assets, Investment Property or Property, Plant and Equipment defined in this Policy and 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.
- 1.5 **Carrying Amount** is the amount at which an asset is recognised after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.
- 1.6 **Chief Financial Officer (CFO)** means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.
- 1.7 **Community Assets** are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.
- 1.8 **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 recognised in accordance with the specific requirements of other Standards of GRAP.
- 1.9 **Depreciable Amount** is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
- 1.10 **Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.

- 1.11 **Fair Value** is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.
- 1.12 **GAAP** are standards of Generally Accepted Accounting Practice.
- 1.13 **GRAP** are standards of Generally Recognised Accounting Practice.
- 1.14 **Heritage Assets** are defined as culturally significant resources. Examples are works of art, historical buildings and statues.
- 1.15 An **Impairment Loss** of a capital asset is the amount by which the carrying amount of the asset exceeds its recoverable amount.
- 1.16 **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.
- 1.17 **Intangible Assets** are defined as identifiable non-monetary assets without physical substance.
- 1.18 **Investment Properties** are defined as properties (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years.
- 1.19 **Land and Buildings** are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude Investment properties and Land Inventories.
- 1.20 **Leased Assets** are assets held under a finance lease and shall be recognised as a capital asset as the Municipality has control over such an asset even though it does not necessarily own the asset.
- 1.21 **MFMA** refers to the Local Government: Municipal Finance Management Act (Act no 56 of 2003).
- 1.22 **Municipal Valuation** means the official valuation of an immovable property as reflected in the municipality's valuation roll.
- 1.23 **Other Assets** are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.
- 1.24 **Property, Plant and Equipment (PPE)** are tangible assets that:-

- Are held by the 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.

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

1.26 **Recoverable Service Amount** is the higher of a non-cash generating asset's fair value less cost to sell and its value in use.

1.27 **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 in the condition expected at the end of its useful life.

1.28 **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.

2. OBJECTIVE

2.1 The MFMA was introduced with the objective of improving accounting in the municipal sector in keeping with global trends. Good asset management is critical to any business environment whether in the private or public sector.

2.2 The purpose of this Asset Management Policy is to prescribe to all custodians at the Municipality mandatory procedures for the financial and logistical management of assets, and to:

- provide a formal set of financial procedures that can be implemented to ensure that Langeberg Municipality's asset policies are achieved and are in compliance with the MFMA, GRAP and other related legislation;
- ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation, and
- ensure that the Municipality safeguards and controls the assets of the municipality;
- optimise asset usage; and
- emphasise a culture of accountability over assets,

3. SCOPE OF THE POLICY

The Asset Management Policy shall incorporate the following:

- a) role of the accounting officer;
- b) role of the chief financial officer
- c) the acquisition of assets;
- d) recognition of assets;
- e) the maintenance of assets,
- f) asset disposals, including transfers, sales and write-offs;
- g) insurance of assets;
- h) other general procedures;

4. ACCOUNTING OFFICER

As Accounting Officer of the municipality, the Municipal Manager shall be the principal custodian of all the municipality's assets, and shall be responsible for ensuring that the Asset Management Policy and Procedures are scrupulously applied and adhered to in terms of section 63 of the Municipal Finance Management Act 2003.

The Municipal Manager as accounting officer is responsible for the management, safeguarding and maintenance of all assets of the municipality in the most, effective and efficient manner.

The Municipal Manager may delegate the responsibilities placed on him/her to any official directly accountable to him/her.

5. CHIEF FINANCIAL OFFICER

- The Chief Financial Officer (CFO) shall be the capital asset registrar of the municipality and shall ensure that a complete, accurate and up-to-date electronic Asset Register is maintained.
- No amendments, deletions or additions to the Asset Register shall be made other than by the Chief Financial Officer or by an official acting under the written instruction of the Chief Financial Officer.
- The Chief Financial Officer is responsible to the Municipal Manager to ensure that the financial investment in the municipality's assets is safeguarded and is responsible to ensure that:
 - Appropriate systems of financial management and internal control are established and carried out diligently;
 - The systems, processes and registers required to substantiate the financial values of the municipality's assets are maintained at standards sufficient to satisfy the requirements of the Auditor-General;
 - Processes are established and maintained to ensure that the municipality's financial resources are optimally utilised through an appropriate asset plan, budgeting, purchasing, maintenance and disposal decisions;
 - Directors are appropriately advised on their powers and duties pertaining to the financial administration of assets;
 - The policy and supporting procedures or guidelines are established, maintained and effectively communicated.

6.1 Pre-Acquisition Planning

6.1.1 General

Acquisition of assets refers to the purchase of assets by buying, building (construction) or leasing.

6.1.2 Policy

Should the municipality decide to acquire a Capital Asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset:

- The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;
- The asset meet the definition of a Capital Asset (as defined in GRAP 16, GRAP 17, GRAP 101 and GRAP 102);
- The asset has been budgeted for;

- The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
- The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;
- The asset is appropriate to the task or requirement and is cost-effective over the life of the asset;
- The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
- Space and other necessary facilities to accommodate the asset are in place; and
- The most suitable and appropriate type, brand, model, etc. has been selected.

6.1.3 *Procedures and Rules*

- The CFO shall ensure that all acquired assets are appropriately insured.
- Before a capital project is included in the draft municipal budget for approval, the various directors must prove that they have considered:
 - ❑ The projected acquisition and implementation cost over all the financial years until the project is operational;
 - ❑ The future operational costs and revenue on the project, including tax and tariff implications;
 - ❑ The financial sustainability of the project over its economical life span including revenue generation and subsidization requirements;
 - ❑ The physical and financial stewardship of the asset through all stages in its economical life span including acquisition, installation, maintenance, operations, disposal and rehabilitation; and
 - ❑ The inclusion of the capital project in the Integrated Development Plans and future budgets.
- The Chief Financial Officer is accountable to ensure that the various directors receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.
- *Approval to Acquire Assets*
Funds can only be invested with a capital project if:
 - ❑ They have been appropriated in the capital budget;
 - ❑ The project, together with the total project 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 more than two years beyond the budget year is appropriately disclosed.
- *Funding of Capital Projects*

Within the municipality's ongoing financial, legislative or administrative capacity, the Chief Financial Officer will 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 following three main sources can be utilized to acquire assets, namely:

- The Capital Replacement Reserve (CRR)
- The External Financing Fund (EFF)
- Grants, Subsidies and Public Contributions

The sources of finance that may be utilised to finance assets are utilised in accordance with the provisions of S19 of the MFMA.

(a) Capital Replacement Reserve (CRR):

The Municipal Manager must annually approve the basis and the amounts for which contributions should be appropriated to the CRR in conjunction with the availability of funds and the requirements of the capital program for that financial year.

The funds in the CRR are accumulated by:

- an annual contribution from revenue
- the cash backed profit on the sale/disposal of assets

When an amount is advanced to a borrowing service to finance the acquisition of an asset, the money must be transferred to the accumulated surplus (CRR) created for the purpose of acquiring a specific asset and the accumulated funds in the CRR must be reduced by the amount of the advance.

The balance of the accumulated funds in the CRR will therefore represent the amount that is available to finance assets in future periods. This balance must be cash backed at all times.

(b) External Financing Fund (EFF)

When loans are obtained from external sources, they must be paid into the EFF. The corresponding cash should be invested until utilized for the purpose of acquiring assets. When the external loan is utilized to finance assets in a service entity it should be recorded in an "advances" account in the EFF.

Where a loan has a fixed period the instalments should be calculated to determine the cash that should be set-aside in the EFF. This is done so that there will be sufficient money to repay the loan when it matures as well as any interest charges as they occur.

When the loan is an annuity loan, the cash required to be paid into the EFF should be based on the actual loan repayments. Once the money has been received by the EFF, the cash would be used to repay the loan.

When the EFF is consolidated with the various services, the “advances made” account in the EFF will contra with the “advances received” account in the various service entities.

(c) Grants, Subsidies and Public contributions (Capital Receipts)

Unutilised conditional grants are reflected on the Statement of Financial Position as a Creditor called Creditor (Unutilised Conditional Grants). They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash.

The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the council's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Capital Receipts into the Statement of Financial Performance as revenue. Thereafter for internal management accounting purposes an equal amount is transferred on the statement of changes in equity to a reserve called a future depreciation reserve (FDR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Capital Receipts. The FDR is used to offset depreciation charged on assets purchased out of the Unutilised Capital Receipts to avoid double taxation of the consumers.
- If a profit is made on the sale of assets previously purchased out of Unutilised Capital Receipts the profit on these assets sold is reflected in the notes to the Statement of Financial Performance and is then treated in accordance with budget and accounting policy.

- *Capitalisation of Assets*
 - ❑ Assets will only be capitalised in the asset register on completion or finalization of the project.
 - ❑ Projects to be completed over more than one financial year will be initially disclosed in the asset register and financial statements as “work in progress” thereafter only on completion the asset will be capitalised and depreciated.

6.2 Creation of New Infra structure Assets

6.2.1 General

Creation of new infrastructure assets refers to the purchase and / or construction of totally new assets that has not been in the control or ownership of the municipality in the past.

6.2.2 Policy

The cost of all new infrastructure facilities (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.

Work in progress shall be flagged as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for to operate in the manner intended by management.

Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

6.2.3 Procedures and Rules

- The Managers of Department shall ensure that a form is completed and submitted to the Asset Control Department that includes the details of the work in progress relating to the work in progress.
- The Managers of Department shall notify the Asset Control Unit when the works have been completed and the assets can be recognised.
- The Managers of Department shall guide the service provider to submit invoices of work in progress as per the components and classification of assets as in the asset register.

6.3 Self-Constructed Assets

6.3.1 General

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

6.3.2 Policy

All assets that can be classified as assets and that are constructed by the municipality should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for to operate in the manner intended by management.

6.3.3 Procedures and Rules

- Managers of Department shall ensure that proper records of staff time, transport and material costs are kept such that all costs associated with the construction of these assets are completely and accurately accounted for.
- Managers of Department shall open a job card for each infrastructure project constructed by the municipality.
- On completion of the infrastructure project, the Managers of Department shall ensure that all costs (both direct and indirect) associated with the construction of the assets be summed and be capitalised to the assets that make up the project.

6.4 Donated Assets

6.4.1 General

A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.

6.4.2 Policy

Donated assets should be valued at fair value, reflected in the asset register, and depreciated as normal assets.

6.4.3 *Procedures and Rules*

- All donated assets must be approved by the Municipal Manager and ratified by Council prior to acceptance.
- Management of the municipality must evaluate the future operational costs of donated assets and the effect it might have on future tariffs and taxes, before a donated asset is accepted by the municipality.
- The conditions associated with the donation must be agreed upon and signed by the Municipal Manager.
- Municipal officers must first get approval from the Municipal Manager prior to accepting any donation.

7. **RECOGNITION**

7.1 **Classification of Capital Assets**

7.1.1 *General*

When accounting for Capital Assets, the municipality should follow the various standards of GRAP relating to the Capital Assets. An item is recognised in the statement of financial position as a Capital Asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied. Capital Assets are classified into the following categories for financial reporting purposes:

(1) Property, Plant and Equipment (GRAP 17)

- Land and Buildings (land and buildings not held as investment and not attached to infrastructure, community, leased, housing or heritage assets)
- Infrastructure Assets (immovable assets that are used to provide basic services)
- Community Assets (resources contributing to the general well-being of the community)
- Leased Assets (assets held in terms of finance leases)
- Housing Assets (rental stock or housing stock not held for capital gain)
- Heritage Assets (culturally significant resources)
- Other Assets (ordinary operational resources)

(2) Intangible Assets (GRAP 102)

- Intangible Assets (assets without physical substance held for ordinary operational resources)

- (3) Investment Property (GRAP 16)
Investment Assets (resources held for capital or operational gain)

- (4) Biological Assets (GRAP 101)
- Biological Assets (livestock and plants held)

When accounting for Current Assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

- (5) Land Inventories (GRAP 12)
- Land Inventories (land or buildings owned or acquired with the intention of selling such property in the ordinary course of business)

Further asset classification has been defined in GRAP. The classifications used for infrastructure are limited and do not represent all asset types. However, these classifications are used for financial reporting consistency and should be used.

To facilitate the practical management of infrastructure assets and asset register data, infrastructure assets have been further classified.

7.1.2 Policy

The asset classification specified by GRAP shall be adhered to as a minimum standard.

7.1.3 Procedures and Rules

- The CFO shall ensure that the classifications specified by National Treasury, GRAP, and those adopted by the municipality are adhered to.
- The CFO shall inform the Managers of Departments of the classification requirements.
- Every Manager of a Department shall ensure that all assets under their control are classified correctly.

7.2 Identification of Capital Assets

7.2.1 General

An asset identification system is a means to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location.

7.2.2 Policy

An asset identification system shall be operated and applied in conjunction with the asset register. As far as practicable, every individual asset shall have a unique identification number.

7.2.3 Procedures and Rules

- The CFO shall develop and implement an asset identification system, while acting in consultation with the Managers of Departments.
- The Managers of Departments shall ensure that all the assets under their control are correctly identified.
- As far as practicable, all movable assets must be bar-coded or uniquely marked.
- Immovable assets must be identified using naming and numbering conventions that enable easy location of the assets in the field.

7.3 Initial measurement

7.3.1 General

A Capital Asset should be recognised as an asset in the financial and asset records when:

- It is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;
- The cost or fair value of the item to the municipality can be measured reliably;
- The cost is above any municipal capitalisation threshold (if any); and
- The item is expected to be used during more than one financial year.

Any item that qualifies for recognition as an asset should initially be recognized at its cost, but if cost is not available initial recognition shall be at fair value.

Spare parts and servicing equipment are usually carried as inventory in terms of the Standard of GRAP on *Inventories* and recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the municipality expects to use them during more than

one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Further guidance for the recognition of assets is provided below:

7.3.1.1 Capitalisation Threshold

The capitalisation threshold is a policy decision of the municipality and is the value above which assets are capitalised and reported in the financial statements as tangible or intangible capital assets as opposed to being expensed in the year of acquisition. As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management. However the capitalisation threshold is regarded as a deviation from GRAP standards and should therefore be determined annually against the municipality's materiality framework and must be determined at a level that will ensure that the municipality do not deviate materially from the requirements of GRAP 17.

The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that an asset recorded as such would not be a complete asset.

The municipality should take the following into account when considering a capitalisation threshold:

- The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
- The cost of maintaining financial and management information on assets when the threshold is very low;
- The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied;
- The size of the municipality or the size of its service areas when setting capitalisation thresholds levels. Municipalities vary greatly in size, so what is relevant to one may be immaterial to another.

Every Manager of a Department shall, however, ensure that any moveable asset item with a value less than R500 (VAT Excl) and with an estimated useful life of more than one year, shall be recorded on an Inventory Listing and must be forwarded to the Asset Management Section. Every Manager of a Department shall moreover ensure that the existence of items recorded on such inventory stock lists are physically verified from time to time, and at least once in every financial year, and any amendments which are made to such inventory stock lists pursuant to such stock verifications shall be retained for audit purposes.

7.3.1.2 Calculation of Initial Cost Price

Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the municipality is not allowed to claim input VAT paid on purchase of such assets. In such an instance, the municipality should capitalise the cost of the asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which list is not exhaustive, of directly attributable costs:

- Purchase costs (less any discounts given)
- Costs of Employee Benefits (as defined in the applicable standard on Employee Benefits) arising directly from the construction or acquisition of the item of the Capital Asset
- Site development cost;
- Initial Delivery and Handling Costs;
- Installation Costs;
- Professional fees such as for architects and engineers;
- Import duties
- Non-refundable taxes
- Contract fees
- The Estimated Cost of Dismantling and removing the asset and restoring the site; and

Administration and other overhead costs cannot be regarded as directly attributable costs and can therefore not be included in the cost price. Therefore the costs related directly to the administrative process surrounding a tender, such as the tender costs and advertisement costs, cannot be regarded as capital expenses.

The cost relating to the preliminary planning and feasibility studies of a project can only be included in the capital budget if it can be reliably measured and if it is probable that a future economic benefit or service potential will flow to the municipality. The municipality should be able to prove that the project will be undertaken and that the cost is a directly attributable cost of bringing the asset to its working condition for its intended use.

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

7.3.1.3 Subsequent Expenses

Only expenses incurred on the enhancement of an 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 an asset shall be capitalised.

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

7.3.1.4 Leased Assets

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases:

- A Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital Asset.
- Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

7.3.2 Policy

All assets shall be correctly recognised as assets and capitalised at the correct value.

The capitalisation threshold will be determined annually by the municipality. All assets with values less than the capitalisation threshold and with values smaller than R250 shall be recorded in a minor assets inventory.

7.3.3 Procedures and Rules

- Every Manager of a Department shall ensure that all assets under their control are correctly accounted for and recognised as assets.
- The Council shall specify which kinds of leases the municipality may enter into.
- The CFO must keep a lease register with all the information that is necessary for reporting purposes, for example, opening balance, acquisitions, disposals, transfers, depreciation, accumulated depreciation, etc.
- Every Manager of a Department shall keep a timesheet system for internal staff to capture professional time spent on infrastructure projects. The time shall be priced at recognised professional fee scales and should be included in the capitalisation cost of the Capital Asset.

7.4 Subsequent measurement

7.4.1 General

After initial recognition of Property, plant and Equipment, the municipality values its assets using the cost model, unless a specific decision have been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model.

When an item of PPE is revalued, the entire class of property to which that asset belongs, should be revalued.

When an asset's carrying amount is increased as a result of the revaluation, the increase should be credited to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

When an asset's carrying amount is decreased as a result of devaluation, the decrease should be recognised as an expense in the annual financial statements. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

7.4.2 Procedures and Rules

- The CFO shall ensure that all Property, Plant and Equipment are correctly recorded in the asset register and revaluated (if applicable) in terms of the municipality's policies.

The following matrix will assist in distinguishing capital expenditure from maintenance expenditure:-

Capital Expenditure	Maintenance
▪ Acquiring a new asset ▪ Replacing an existing asset ▪ ▪ Further developing an existing asset so that its original useful life is extended ▪ Enhancing an existing asset so that its use is expanded ▪ the expenditure enhances the service provision of that capital asset (with the exclusion of operational running maintenance); ▪ increases the useful life of that capital asset (beyond its original life); ▪ increases that capital asset capacity (beyond its original capacity); ▪ increases the performance of the capital asset (beyond the original performance); ▪ increases the functionality of that capital asset; ▪ reduces the future ownership costs of that capital asset significantly; or ▪ increases the size of the asset or changes its shape.	▪ Restoring an asset so that it can continue to be used for its intended purpose ▪ Maintaining an asset so that it can be used for the period for which it was initially intended.

7.5 Asset Register

7.5.1 General

An asset register is a database of information related to all the assets under the control of the municipality. The asset register consists of an inventory of all the assets, with each asset having a unique identifying number. Data related to each asset should be able to be stored in the asset register. The minimum data requirements for the asset register are as follows:

- a brief but meaningful description of each asset
- the date on which the asset was acquired or brought into use

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

Each directorate must annually issue a certificate indicating that all assets have been accounted for and checked against the asset register and a report any deviations to the accounting officer.

Assets remain in the asset register for as long as they are in physical existence or until being written off. The fact that an asset has been fully depreciated is not in itself a reason for writing-off such an asset.

The total annual depreciation as obtained from the asset register must be included as a cost in the municipal operating budget.

All assets must be depreciated over their useful life as prescribed below:

INFRASTRUCTURE ASSETS	USEFUL ASSET LIFE		USEFUL ASSET LIFE
AIRPORTS:		ROADS:	
Airports/Radio Beacons	20	Bridges, subways & culverts	30
Aprons	20	Bus terminals	20
Runways	20	Car parks	20
Taxiways	20	Motorways	20-50
ELECTRICITY:		Other roads	10
Cooling towers	30	Overhead bridges	30
Load control equipment	50	Stormwater drains	20
Mains	40-50	Street Lighting	25
Meters	50	Traffic islands	10
Power stations	30	Traffic lights	20
Supply/reticulations	20	PEDESTRIAN MALLS:	
Switchgear equipment	20	Footways	20
Transformer Kiosks	45-50	Kerbing	20
SEWERAGE:		Paving	20
Outfall sewers	60	WATER:	
Purification works	15-100	Mains	15-100
Sewerage pumps	15-50	Meters	50
Sewers	60	Reservoirs & Tanks	15-50
Sludge machines	15	Supply/reticulation	60-100

COMMUNITY ASSETS	USEFUL ASSET LIFE		USEFUL ASSET LIFE
BUILDINGS:		RECREATION FACILITIES:	
Cemeteries	30	Bowling greens	20
Civic theatres	30	Floodlighting	20
Community centres / halls	30	Golf courses	20

Fire stations	30	Jukskei pitches	20
Game Reserves /	30	Lakes and dams	20
Rest Camps			
Indoor sport centres	30	Outdoor sports facilities	20
Libraries	30	Swimming pools	20
Parks	30	Tennis courts	20
Recreation centres	30	SECURITY MEASURES:	
Stadiums	30	Access control	5
		Fencing	3
		Security systems	5
OTHER ASSETS			
BINS AND CONTAINERS:		FURNITURE & FITTINGS:	
Bulk containers	10	Cabinets/cupboards	7
Household refuse bins	5	Chairs	7
BUILDINGS:		Miscellaneous	7
Caravan parks	30	Tables/desks	7
Housing schemes	30	OFFICE EQUIPMENT:	
Office buildings	30	Air conditioners	5
Workshops	30	Computer hardware	5
EMERGENCY EQUIPMENT:		Computer software	3
Emergency lights	5	Office machines	3
Fire fighting equipment	15	PLANT AND EQUIPMENT:	
Fire hoses	5	Conveyers	15
MOTOR VEHICLES:		Compressors	5
Aircraft	15	Communication equipment	5
Buses	15	Firearms	5
Fire engines	20	Graders	10-15
Motor cycles	3	Irrigation systems	10
Motor vehicles	5-7	Laboratory equipment	5
Trucks/bakkies	5-7	Lawnmowers	5
Watercraft	15	Tractors	10

7.5.2 *Policy*

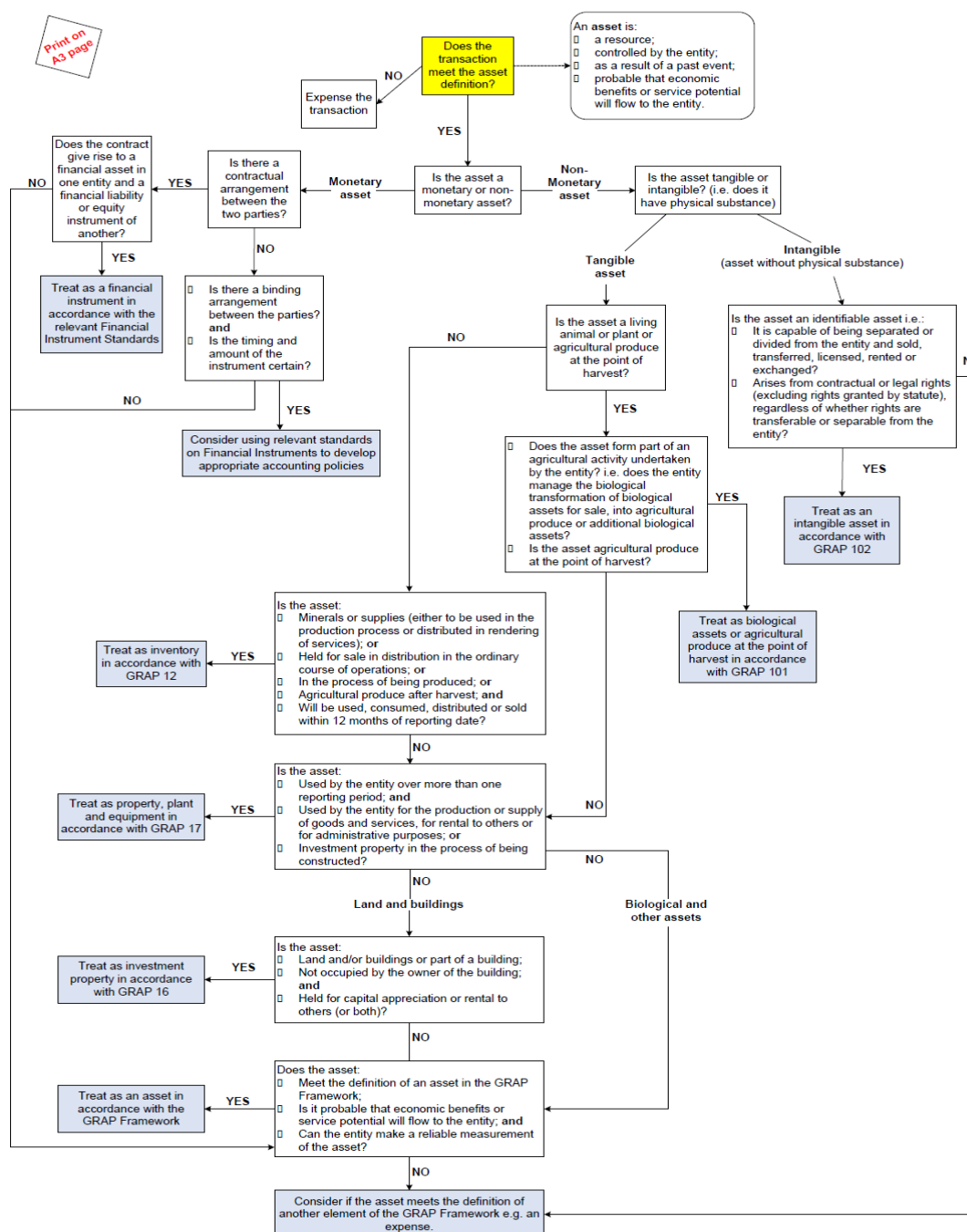
An asset register shall be maintained for all assets. In some cases, such as Investment Properties and Intangible Assets, separate asset registers will have to be maintained. The format of the register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets. The asset register should be continuously updated and asset records should be reconciled to the general ledger on a monthly basis.

7.5.3 *Procedures and Rules*

- The CFO must define the format of the asset register in consultation with the Managers of Departments and must ensure that the asset register format complies with legislative requirements.
- The CFO must ensure that a defined process and forms exist to update and maintain the asset register.
- All Managers of departments under whose control any asset falls shall provide the CFO in writing with any information required to compile the Asset Register, and shall advise the CFO in writing, within 24 hours of any material change which may occur in respect of such information.
- An asset shall be capitalised, that is, recorded in the Asset Register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as an asset.

7.6 ASSET TYPES

The following asset decision tree shall be applied:



8.1 Property, plant and equipment: Land and Buildings

8.1.1 General

Land and Buildings comprise any land and buildings held (by the owner or by the lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes. Land held for a currently undetermined future use, should not be included in PPE: Land and Buildings, but should be included in Investment Properties. For this class of Land and Buildings there is no intention of developing or selling the property in the normal course of business.

8.1.2 Policy

Land and buildings shall be treated using the revaluation model.

Land shall be accounted for at fair value, and shall not be depreciated. Land on which infrastructure and community assets are located shall be identified separately and disclosed together with the infrastructure and community assets. Land not registered in the name of the municipality but controlled by the municipality by virtue of owner-occupied buildings thereon, shall be recognised at fair value.

Buildings shall be accounted for at fair value, less any accumulated depreciation and any accumulated impairment losses.

8.1.3 Procedures and Rules

- The CFO shall ensure that all land and buildings are correctly recorded in the asset register and revaluated in terms of the municipality's policies.
- The CFO shall ensure the recognition and measurement of *Land and Buildings* in terms of GRAP 17.

8.2 Property, plant and equipment: Infrastructure Assets

8.2.1 General

Infrastructure Assets comprise assets used for the delivery of infrastructure-based services. These assets typically include electricity, sanitation, solid waste, storm water, transport, and water assets. Many infrastructure assets form part of a greater facility, e.g. a pump in a pump station.

Level of detail of componentisation

For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level in most cases coincides with the level that meets the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very costly when dealing with assets that are very numerous in nature e.g. water meters, street signs, household connections, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below:

- **Level 1:** Service level (e.g. Robertson Water Supply)
- **Level 2:** Network level (e.g. Montagu Pump Stations)
- **Level 3:** Facility level (e.g. Robertson Drift Irrigation Pump Station)
- **Level 4:** Asset type level (e.g. Mechanical Equipment in Robertson Drift Irrigation Pump Station)
- **Level 5:** Component (maintenance item) level (e.g. Pump 1 in Robertson Drift Irrigation Pump Station)
- **Level 6:** Spare Part level (e.g. Bearing of Pump 1 in Robertson Drift Irrigation Pump Station)

The preferred level of detail for the accounting and technical management of infrastructure is level 5 above.

The compilation of a detailed infrastructure asset register in one financial term is a costly and onerous exercise. To ensure the practicality of implementing asset registers (and asset management planning as a whole), the International Infrastructure Management Manual (IIMM) recommends the adoption of a continuous improvement process as a practical implementation approach. This approach recognises the value of limited data above no data and enables the municipalities to slowly, but steadily, increase their knowledge in the assets they own. The improvement principles of the IIMM recommend starting with complete coverage of the infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high risk assets, such as pump stations, treatment works, etc.

8.2.2 Policy

The infrastructure asset register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the municipality. An improvement plan stipulating the level of detail and the timing of improvements shall be prepared. Infrastructure assets will be valued at cost less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will be valued at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value of, and

the depreciation methods applied to infrastructure assets will be reviewed regularly, but the cost related to such reviews will be measured against benefits derived to ensure value for money. Such reviews will have to be performed at least once in a three year cycle.

Infrastructure Assets shall be recorded under the following main categories;

- Electricity;
- Water
- Roads;
- Sanitation;
- Stormwater; and
- Solid Waste.

8.2.3 *Procedures and Rules*

- The CFO shall define the level of detail of the infrastructure asset register in consultation with the Managers of a Department.
- The CFO shall prepare an improvement process that defines the target level of detail for each infrastructure asset type with the target year of implementation in consultation with the Managers of a Department.
- The CFO shall ensure that all infrastructure assets are reviewed in terms of the municipality's policies.
- The CFO shall ensure the recognition and measurement of *Infrastructure Assets* in terms of GRAP 17.

8.3 **Property, plant and equipment: Community Assets**

8.3.1 *General*

Community Assets include a variety of assets used to provide services to the community. These assets include building assets such as aquariums, cemeteries, clinics, hospitals, game reserves, museums, parks, etc. Community assets also include recreational assets such as tennis courts, swimming pools, golf courses, outdoor sports facilities, etc.

8.3.2 *Policy*

Community assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

Community Assets shall be recorded under the following main categories;

- Recreational Facilities;

- Sporting Facilities; and
- Other Facilities.

8.3.3 *Procedures and Rules*

The CFO, in consultation with the Managers of Departments, shall ensure that all community assets are appropriately recorded and valued in terms of the municipality's policies.

8.4 **Property, plant and equipment: Housing Assets**

8.4.1 *General*

Housing Assets have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government and comprise of rental stock or selling stock not held for capital gain.

8.4.2 *Policy*

Housing assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

Housing Assets shall be recorded under the following main categories;

- Rental Schemes; and
- Selling Schemes.

8.4.3 *Procedures and Rules*

The CFO, in consultation with the Managers of Departments, shall ensure that all housing assets are appropriately recorded and valued in terms of the municipality's policies.

8.5 **Property, plant and equipment: Heritage Assets**

8.5.1 *General*

A *Heritage Asset* is an asset that has historical, cultural or national importance and needs to be preserved. The following is a list of some typical heritage assets encountered in the municipal environment:

Archaeological sites;

Conservation areas;

Historical buildings or other historical structures (such as war memorials);

Historical sites (for example, historical battle site or site of a historical settlement);

Museum exhibits;

Public statues; and

Works of art (which will include paintings and sculptures).

8.5.2 Policy

- Heritage assets are valued at cost less accumulated depreciation and accumulated impairment losses. No depreciation shall be charged against such assets. If the cost price of heritage assets is not known, then the heritage asset will be valued at fair value.
- If no original costs or fair values are available in the case of one or more or all heritage assets, the CFO 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 Asset Register without an indication of the costs or fair value concerned.

8.5.3 Procedures and Rules

- For reporting purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note in the asset register.
- The CFO, in consultation with the Managers of Departments, shall ensure that all heritage assets are appropriately recorded and valued in terms of the municipality's policies.

8.6 Property, plant and equipment: Other Assets

8.6.1 General

Other Assets include a variety of assets that are of indirect benefit to the communities they serve. These assets include office equipment, furniture and fittings, bins and containers, emergency equipment, motor vehicles, plant and equipment.

8.6.2 Policy

Other Assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not revalued.

Other Assets shall be recorded under the following main categories;

- Bins and Containers;
- Emergency Equipment;
- Furniture and Fittings;
- Motor Vehicles;
- Office Equipment;
- Plant and Equipment;

- Specialised Vehicles;
- Watercraft; and
- Other Assets.

8.6.3 *Procedures and Rules*

The CFO, in consultation with the Managers of Departments, shall ensure that all other assets are appropriately recorded in terms of the municipality's policies.

8.7 **Intangible Assets**

8.7.1 *General*

Intangible Assets can be purchased, or can be internally developed, by the municipality and includes, but are not limited to, computer software, website development cost, valuation roll, servitudes and mining rights.

8.7.2 *Policy*

Intangible Assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset, except for those assets with infinite useful lives such as water rights. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs. Research costs should be expensed and development costs may be capitalised if all the criteria set out in GRAP 102 have been met.

8.7.3 *Procedures and Rules*

The CFO, in consultation with the Managers of Departments, shall ensure that all intangible assets are appropriately recorded in terms of the municipality's policies.

Investment Property

8.8.1 *General*

Investment Property comprise of land or buildings (or parts of buildings) or both, held by the municipality as owner, or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both. Investment property does not include property used in the production or supply of service or for administration. It also does not include property that will be sold in the normal course of business. Typical investment properties include:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties);
- Shopping centres (developed along similar lines);

- Housing developments (developments financed and managed by the municipality itself, with the **sole purpose of selling or letting such houses for profit**).

The classification of an investment property is based on management's judgement; the following criteria will be applied to distinguish investment properties from owner-occupied property or property held for resale:

Investment property	PPE	Non-current assets held for sale
the asset generates its own cash flows in the form of rentals (on a commercial basis)	rental income earned is below market value, and the asset is held for service delivery rather than to generate a commercial return	land and other properties held for sale within the next 12 months, if the criteria in GRAP 100 are met
the asset is held for capital appreciation	the asset is held to achieve service delivery objectives rather than to earn rental or for capital appreciation	
investment property that is being redeveloped for continued use as an investment property	property that is being constructed or developed for future use as investment property (until the asset meets the definition of investment property it is accounted for as PPE)	
Land held for an undetermined use	owner occupied-property such as office buildings and residential buildings occupied by staff members (assets used by employees, irrespective of whether or not the employees pay rent at market rates, are owner-occupied)	

The following classes of Municipal Property will be classified as Investment Property:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations which council intends to sell at a beneficial time in the future.
- Land held for a currently undetermined future use.
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis.

- (d) A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following classes of Municipal Property will be NOT be classified as Investment Property:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale. This property is treated as inventory.
- (b) Property being constructed or developed on behalf of the Provincial Government: Housing Department.
- (c) Owner-occupied property which is defined as property which is held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes as per definition criteria of GRAP 17 which includes all council buildings used for administration purposes.
- (d) Property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) are also regarded to be owner-occupied property.
- (e) Property that is being constructed or developed for future use as investment property. The relevant GRAP standard on accounting for PPE (GRAP17) applies to such property until construction or development is complete, at which time the property becomes investment property and the Standard on investment property applies. However, the Standard on investment property does apply to existing investment property that is being redeveloped for continued future use as investment property.
- (f) Property that is leased to another entity under a finance lease.
- (g) Property held to provide a social service and which also generates cash inflows. For example, council holds a large housing stock (letting units) used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an “investment property” and would be accounted for in accordance with the GRAP standard on accounting for PPE.
- (h) Property held by council to meet service delivery objectives rather than to earn rental or for capital appreciation. In such situations the property will not meet the definition of investment property.
- (i) Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.

8.7.4 Policy

Investment Property shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality’s Statement of Financial Position. Investment Property shall initially be measured at its cost. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

If the Council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use, where after it shall be reclassified as an investment asset.

After initial recognition, all investment property shall be measured at fair value. The fair value of investment property shall be determined annually at reporting date in terms of the municipality's Accounting Policy. The fair value should reflect market conditions and circumstances as at the reporting date.

8.7.5 Procedures and Rules

- The CFO shall ensure that investment assets are recorded in an Investment Property register.
- The CFO shall ensure that an appropriately qualified valuator undertake such valuations on an annual basis.
- The CFO shall ensure the recognition and measurement of *Investment Property* in terms of GRAP 16.

8.8 Biological Assets

8.8.1 General

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. **Managed agricultural activity** such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and / or procreating which are expected to eventually result in agricultural produce. Such agricultural produce is recognised at the point of harvest. Future economic benefits must flow to the municipality from its ownership or control of the asset.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to the market.

Where the municipality is unable to measure the fair value of biological assets reliably, a biological asset should be measured at cost less any accumulated depreciation and accumulated impairment losses.

8.8.2 Policy

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

8.8.3 Procedures and Rules

- The CFO, in consultation with the Managers of Departments, shall ensure that all biological assets obtained from a managed agricultural activity, such as livestock and crops, are valued at 30 June each year by a recognised valuator in the line of the biological assets concerned.
- The CFO shall ensure the recognition and measurement of *Biological Assets* in terms of GRAP 101.

8.9 Assets Classified as Held-for Sale

8.9.1 General

A non-current asset shall be classified as *Assets Held-for-Sale* if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

For the sale to be highly probable, management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

8.9.2 Policy

Assets identified for disposal by way of a sale transaction, be it by public auction, bidding process or sales agreement, within 12 months of the date of identification shall be classified as *Assets Held-for-Sale* and transferred from the home asset category to held-for-sale category. Such assets shall be measured at the lower of its carrying amount and fair value less costs to sell and is not depreciated any further upon classification as held-for-sale.

The municipality shall not classify a non-current asset that is to be abandoned as held-for-sale because its carrying amount will be recovered principally through continuing use.

8.9.3 Procedures and Rules

- The CFO shall ensure that assets held-for-sale are recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.
- The CFO shall ensure the recognition and measurement of *Assets Held-for-Sale* in terms of GRAP 100.

8.10 Land Inventories

8.10.1 General

Land Inventories comprise 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.

8.10.2 Policy

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or Investment Property in the municipality's Statement of Financial Position. Land Inventories shall be valued annually at reporting date at the lower of its carrying value or net realisable value, except where they are held for:

- (a) distribution at no charge or for a nominal charge, or
- (b) consumption in the production process of goods to be distributed at no charge or for a nominal charge, then they shall be measured at the lower of cost and current replacement cost.

8.10.3 Procedures and Rules

- The CFO shall ensure that land inventory properties are recorded in the Inventory Register.
- The CFO shall ensure the recognition and measurement of *Land Inventories* in terms of GRAP 12.

8.11 Minor Assets

8.11.1 General

Minor Assets comprise movable assets not capitalised in terms of the threshold policy of the municipality. However, these assets must still be controlled, safeguarded and verified by the municipality. They are not capitalised for the number of assets compared to their value does not warrant the complex procedures applicable to asset management, rendering a manageable asset register by concentrating on what is material and significant to the municipality's operation.

8.11.2 Policy

Minor assets shall be expensed in the Statement of Financial Performance and not be capitalised. However, these assets shall be bar-coded for identification purposes and recorded at cost in the Minor Asset Inventory Listing. These assets shall not be depreciated or tested for impairment and shall not generate any further transactions, except in the cases where losses are recovered by means of insurance claims or recoveries from disciplinary actions.

8.11.3 Procedures and Rules

The CFO shall ensure that minor assets are recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

9 MAINTENANCE OF ASSETS

9.1 Useful life of Assets

9.1.1 General

Useful Life of assets is defined in section 1 of the Policy and is basically the period or number of production units for which an asset can be used economically by the municipality.

National Treasury (NT) published its Local Government Asset Management Guideline in August 2008 that includes directives for useful lives of assets, but municipalities must use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for the particular classes of assets. Should the municipality decide on a useful life outside the given parameters, the National Treasury (OAG) should be approached and provided with a motivation, for its agreement of the rate utilised. The calculation of useful life is based on a particular level of planned maintenance.

9.1.2 Policy

The remaining useful life of assets shall be reviewed annually. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

9.1.3 Procedures and Rules

- Managers of Departments must determine the reasonable remaining useful lives of the assets under their control. Changes in remaining useful lives must be approved by the CFO.

- The CFO shall ensure that remaining useful lives, and changes thereof, are properly recorded and accounted for in the asset register and the general ledger.
- The CFO shall ensure that the *Remaining Useful Life* of an asset shall be reviewed at each reporting date.

9.2 Residual Values

9.2.1 General

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

9.2.2 Policy

Residual values should be determined upon the initial recognition (capture) of assets. However, this will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. Assets typically not sold by the municipality are infrastructure and community assets, which assets will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. In practice, the residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

The residual value of assets shall be reviewed annually at reporting date. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

9.2.3 Procedures and Rules

- Managers of Departments must determine the reasonable residual values of the assets under their control. Changes in residual values must be approved by the CFO.
- The CFO shall ensure that residual values, and changes thereof, are properly recorded and accounted for in the asset register and the general ledger.
- The CFO shall ensure that the *residual value* of an asset shall be reviewed at each reporting date.

9.3 Depreciation / Amortisation of Assets

9.3.1 General

Depreciation / Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation therefore recognises the gradual exhaustion of the asset's service capacity. The depreciable

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

The depreciation method used **must** reflect the pattern in which economic benefits or service potential of a Capital Asset is consumed by the municipality. The following are the allowed alternative depreciation methods that can be applied by the municipality:

- Straight-line;
- Diminishing Balance; and
- Sum of the Units.

9.3.2 *Policy*

All assets, except land and heritage assets, shall be depreciated over their reasonable useful lives. The *residual value* and the *useful life* of an asset shall be reviewed at each reporting date. The depreciation method applied must be reviewed at each reporting date. Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used by the municipality, or expected to be so controlled or used during the ensuing financial year.

Depreciation shall take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed. Depreciation of an asset should begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner it is intended by management. Depreciation of an asset ceases when the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under certain methods of depreciation the depreciation charge can be zero while there is no production.

In the case of intangible assets being included as assets, 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 assets.

9.3.3 *Procedures and Rules*

- Managers of Departments must ensure that a budgetary provision is made for the depreciation of the assets under their control in the ensuing financial year.
- Managers of Departments must determine the reasonable useful life of the asset classifications under their control. Deviations from the standards of useful life must be motivated in writing to the Municipal Manager and provided to the CFO.

- In the case of an asset which is not listed in the asset classification list, the Manager of a Department shall determine a useful operating life, in consultation with the CFO, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.
- Alternative depreciation methods may be used in exceptional cases, if motivated by the Manager of a Department controlling the asset to the Municipal Manager and in consultation with the CFO. The Manager of an Department must then provide the CFO with sufficient statistical information to make estimates of depreciation expenses for each financial year.
- The CFO shall ensure that depreciation shall be up to date on a monthly basis and be reconciled between the asset register and the general ledger.
- The CFO shall ensure that the *residual value*, *useful life* and *depreciation method* of an asset shall be reviewed at each reporting date.

9.4 Impairment Losses

9.4.1 General

Impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. For example:

- Significant decline in market value;
- Carrying amount of an asset far exceeds the recoverable amount or market value;
- There is evidence of obsolescence (or physical damage);
- The deterioration of economic performance of the asset concerned; and
- The loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (such as through inadequate maintenance).

The impairment amount is calculated as the difference between the *carrying value* and the *recoverable service value*. The recoverable service value is the higher of the asset's value in use or its net selling price. Where the recoverable service amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at revalued amount.

If the asset is carried at a revalued amount (in the case of investment property, infrastructure and community assets) the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property,

plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

9.4.2 Policy

Assets shall be reviewed annually for impairment. Impairment of assets shall be recognised as an expense, unless it reverses a previous revaluation in which case it should be charged to the *Revaluation Surplus*. The reversal of previous impairment losses recognised as an expense, is recognised as an income.

9.4.3 Procedures and Rules

- The CFO, in consultation with the Managers of Departments must ensure that professionally qualified valuers or other professionals with appropriate qualifications must perform annual impairment surveys.
- The CFO shall ensure that impairment losses, or reversals thereof, are properly recorded and accounted for in the asset register and the general ledger.

9.5 Maintenance of Assets in the Asset Register

9.5.1 General

Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life, but excluding rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance.

For linear infrastructure assets, such as pipes and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

- If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.
- If a future renewal of the entire pipe will retain the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

The splitting of linear infrastructure has a data management implication, but it is the easiest method that maintains the data integrity over time.

Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

9.5.2 Policy

Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are individually identified in the asset register.

9.5.3 Procedures and Rules

- Managers of Departments responsible for the control and utilisation of infrastructure assets shall monitor maintenance actions and budget for the operation and maintenance needs of each asset or class of assets under their control. Operating expenses must include all labour and material costs for the repair and maintenance of the assets. This includes both contracted services and services performed by employees.
- Managers of Departments shall ensure that the operating expenses are expended against the operating budget and not the capital budget.
- The Managers of Departments shall report to the Council annually of the extent to which the approved **maintenance plan** has been complied with and the extent of deferred maintenance.
- The Managers of Departments shall report to the Council annually on the likely effects that maintenance budgetary constraints may have on the useful operating life of the infrastructure asset classes;
- The Managers of Departments shall ensure that maintenance plans make provision for the additional maintenance burden of future infrastructure to be acquired.

9.6 Renewal of Assets

9.6.1 General

Asset Renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service provision from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However, if the service is no longer required, the asset should not be renewed. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

9.6.2 Policy

Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

9.6.3 *Procedures and Rules*

- The CFO, in consultation with Managers of Departments, must ensure that processes are in place to capture renewals data against specific assets and to capitalise it correctly.
- Managers of Departments shall ensure that renewals expenditure are correctly budgeted for in the capital budget and expensed against this budget.
- Managers of Departments must ensure that renewals expenditure data are correctly captured against the assets and the expected lives adjusted.

9.7 **Replacement of Assets**

9.7.1 *General*

This paragraph deals with the complete replacement of an asset that has reached the end of its useful life so as to provide a similar or agreed alternative level of service.

9.7.2 *Policy*

Assets that are replaced shall be written off at their carrying value. The replacement asset shall be accounted for as a separate new asset. All costs incurred to replace the asset shall be capitalised against the new asset.

9.7.3 *Procedures and Rules*

- The CFO, in consultation with Managers of Departments, must ensure that processes are in place to capture replacement data against specific assets and to capitalise it correctly.
- Managers of Departments shall ensure that replacement expenditure are correctly budgeted for in the capital budget and expensed against this budget.

10 **ASSET DISPOSAL**

When assets are sold, disposed of, transferred or purchased after approval by Council:

- the asset register must be updated; and
- the journal entries to record the sale, disposal, transfer or purchase must be processed.

Asset disposals must be in accordance with the Supply Chain Management Policy and the Asset Transfer Regulations released in September 2008.

10.1 Transfer of Assets

10.1.1 General

The processes and rules for the transfer of a capital asset to another municipality, municipal entity or national / provincial organ of state are governed by an MFMA regulation namely “the Local Government: Municipal Asset Transfer Regulations”.

Transfer of assets or inventory items refers to the internal transfer of assets within the municipality or from the municipality to another entity. Procedures need to be in place to ensure that the Asset Control Department can keep track of all assets and ensure that the fixed asset register is updated with all changes in asset locations. These procedures must be followed and apply to all transfers of assets from:

- One Department to another Department;
- One location to another within the same department;
- One building or office to another; and
- One entity to another.

10.1.2 Policy

The transfer of assets shall be controlled by a transfer process and the asset register shall be updated.

10.1.3 Procedures and Rules

- The Managers of Departments must ensure that whenever an asset are being transferred, all asset transfer information is captured onto the asset transfer form, completed in full and forwarded to the Accountant: Asset Management.
- The CFO must ensure that a process is in place to capture and record asset transfer data.
- Staff of the municipality, except for duly authorised staff, shall not move rented assets, such as photocopy machines.
- No person shall transfer any IT equipment without the knowledge and written consent of the Accountant: Asset Management and the IT Department.
- The Manager of a Department must immediately report to the CFO of any damages caused to an asset and will be held responsible to investigate the cause or nature of such damage.
- Municipal staff required to remove equipment from the building, i.e. computer equipment, furniture, etc. for repair or any other reason need to obtain a permit from a delegate of the CFO. Failure to produce such a permit will result in the unauthorised removing of equipment.

10.2 Exchange of Assets

10.2.1 General

According to GRAP 17.33 an item of PPE may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless:

- (a) The exchange transaction lacks commercial substance; or
- (b) The fair value of neither the asset received nor the asset given up is reliably measurable.

If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

10.2.2 Policy

The cost of assets acquired in exchange for another asset shall be 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 transferred.

10.2.3 Procedures and Rules

- An item of PPE may be acquired in exchange for a similar asset that has a similar use in the same line of operations and which has a similar fair value or may be sold in exchange for an equity interest in a similar asset. No gain or loss is recognised in both cases.
- The CFO shall approve all asset exchanges in consultation with the relevant Manager of a Department.

10.3 Disposal of Assets

10.3.1 General

Disposal is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality.

The MFMA (sections 14 and 90) and the Municipal Supply Chain Management Regulation no 27636 have specific requirements regarding the disposal of capital assets. Specifically:

- A municipality may not ...” permanently dispose of a capital asset needed to provide the minimum level of basic municipal services”.

- Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

10.3.2 Policy

There are various methods of disposal. Different disposal methods will be needed for different types of assets. Before deciding on a particular disposal method, the following should be considered:

- The nature of the asset
- The potential market value
- Other intrinsic value of the asset
- Its location
- Its volume
- Its trade-in price
- Its ability to support wider Government programmes
- Environmental considerations
- Market conditions
- The asset's life

Appropriate means of disposal may include:

- Public auction
- Public tender
- Transfer to another institution
- Sale to another institution
- Letting to another institution
- Trade-in
- Controlled dumping (for items that have low value or are unhygienic)

Alienated assets shall be written-off in the asset register.

10.3.3 Procedures and Rules

- Every Manager of a Department shall report in writing to the CFO on 31 October and 30 April of each financial year on all assets which they wish to alienate and the proposed method of alienation.
- The CFO shall consolidate the requests received from the various departments, and shall promptly report the consolidated information to the Municipal Manager of the municipality, recommending the process of alienation to be adopted.

- The Council shall ensure that the alienation of any capital asset takes place in compliance with Section 14 of the Municipal Finance Management Act, 2004. The Act states that the municipality may not alienate any capital asset required to provide a minimum level of service. The municipality may alienate any other capital asset, provided the Council has considered the fair market value and the economic and community value to be received in exchange for the asset.
- Selling: Assets to be sold shall be sold in terms of paragraph 9.4 below.
- Donations: Donations may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager for approval.
- Destruction: Assets that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.
- Once the assets are alienated, the CFO shall write-off the relevant assets in the asset register.
- The letting of immovable property, excluding municipal housing for officials and political office bearers, must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the relevant treasury.
- The CFO must review, at least annually when finalising the budget, all fees, charges, rates, tariffs or scales of fees or other charges relating to the letting of municipal property to ensure sound financial planning and management.

10.4 Selling of Assets

10.4.1 General

Selling of assets refers to the public sale of municipal assets approved for alienation.

10.4.2 Policy

All assets earmarked for sale must be sold by public auction or tender and the following steps shall be followed:

- A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
- In the case of a public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and
- In the case of a tender, the prescribed tender procedures of the municipality shall be followed.

Assets earmarked for sale, shall be reclassified as Assets Held-for-Sale and shall not attract any further depreciation.

Sold assets shall be written-off in the asset register.

10.4.3 Procedures

- A request for assets to be sold must be submitted to the Municipal Manager and approved by Council. The request must be accompanied by a list of assets to be sold and the reasons for sale as described in paragraph 9.3 above.
- Assets earmarked for sale shall be reclassified as Assets Held-for-Sale.
- Auctioneers may be engaged either on a quotation basis or by tender depending on the goods to be alienated.
- Bidding: Bidders are afforded the opportunity to make an offer on identifiable items. Bids are compared and the highest bidder is awarded the bid.
- Tenders: Tenders shall be invited according to the municipality's tender procedures.
- Once the assets are sold, the CFO shall write-off the relevant assets in the asset register.
- If the proceeds of the sales are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss for the department or vote concerned in the Statement of Financial Performance. If the proceeds of the sales, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain for the department or vote concerned in the statement of financial performance.
- Transfer of assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

10.5 Writing-off of Assets

10.5.1 General

The write-off of assets is the process to permanently remove the assets from the asset register. Assets can be written-off after approval of the Council or the Municipal Manager of a report indicating that:

- The useful life of the asset has expired;
- The asset has been destroyed;
- The asset is outdated;
- The asset has no further useful life;
- The asset does not exist anymore;
- The asset has been sold; and
- Acceptable reasons have been furnished leading to the circumstances set out above.

10.5.2 Policy

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

10.5.3 Procedures and Rules

- Every Manager of a Department shall report to the CFO on 31 October and 30 April of each financial year on any assets which such Manager of a Department wishes to have written-off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly submit a recommendation to the Municipal Manager on the assets to be written off.
- An asset, even though fully depreciated, shall be written-off only on the recommendation of the Manager of a Department controlling or using the asset concerned, and with the approval of the Municipal Manager.
- In every instance where a not fully depreciated asset is written off with no proceeds for the asset being obtained, the CFO shall immediately debit to such department or vote the full carrying value of the asset concerned as impairment expenses.
- Assets that are replaced should be written-off and removed from the asset register.

11 INSURANCE

11.1 General

Insurance provides selected coverage for the accidental loss of the asset value. Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury.

11.2 Policy

Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All municipal buildings shall be insured at least against fire and allied perils.

11.3 Procedures and Rules

- The CFO will ensure that all assets are properly insured in terms of the policy.
- The CFO shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.
- The risk assessment must be based on a loss probability analysis. Professional assistance must be obtained if required.

- Assets must be insured internally or externally and coverage must be based on the loss probability analysis. Contracting with regard to insurance cover must be in accordance with the Supply Chain Management Policy and the stipulations of the Municipal Finance Management Act.
- All insurance claims must be assessed by a committee of council or an official, charged with the responsibility, to determine whether the damage to the assets can be recovered from possible third parties involved.
- All insurance claims must be recorded in an insurance register.

12 GENERAL PROCEDURES

- All assets will be recorded in an asset register by the assets control section situated in the department of the Manager: Budget Office.
- The Asset Control Section must be notified **within 7 days** of any of the following possible movements which affect the status of assets entrusted to a department:-
 - new purchases;
 - donations received;
 - additions/improvements;
 - departmentally manufactured items;
 - auctions;
 - loss or damage;
 - transfers;
 - resignations.
- When a donation is received or an item is manufactured departmentally the item will be recorded in the asset register at market value or a value determined by the Manager: Budget Office.
- An asset acquisition form (Annexure "B") must be completed in full referring to the purchase date, purchase price, vote or order number, description of the asset and the location barcode by the responsible department for each item created in terms of section 13(6) and submit to the asset control section.
- The disposal of goods or material by council will take place in terms of the conditions prescribed in Section 9 of this policy subject to the following additional procedures:-
 - a) any items declared obsolete or to be written-off must be handed in at the municipal stores for safekeeping;
 - b) no items will be received by the stores or authorization be given for replacement, without a completed asset form (Annexure "A") describing the status of the item and the reason for writing-off the item duly signed off by the applicable director;
 - c) the official in charge of the stores section must forward the asset form to the asset control section;

- d) the Chief Financial Officer or his/her nominee will circulate a list of unused items to enable departments to identify and obtain items which could be utilised by them;
- e) the Chief Financial Officer will compile a list of the items to be auctioned and present it to the respective directorates;
- f) the execution of the above-mentioned requirements will be subject to the following criteria:

Vehicles and Plant – The fleet manager upon technical advice may approve the writing-off of vehicles and plant.

Computers – The Network Administrator may approve the writing-off of computer equipment.

Other items – All other items which cannot be utilised and are to be written-off, must be approved by the respective directors.

Unused items – Items which are still usable but not required by a department, must be transferred to and handed in at the municipality stores section for safekeeping.

Items reflected in the asset register will only be written-off after an approval has been obtained from the head of the department.

- All inventory or asset items lost or damaged must be reported to the asset control section, accompanied by a report explaining the nature/circumstances of lost and/or damage. A list with all inventory items and furniture per office must be attached behind the door of the office for reconciliation and verification purposes during stock taking and as a management tool.
- The replacement of an item lost or damaged must be treated as a new purchase on receipt of a completed asset acquisition form.
- Upon the termination of the services of an employee the director or his duly delegated authority must certify that all assets entrusted to the employee are in good order and handed in where required.
- The certificate produced in terms of the paragraph above must be forwarded to the human resource department which in turn will issue a pay clearance certificate to the salary section.
- Any loss of, or damage to assets allocated to an employee must be reported to the Chief Financial Officer within 48 hours after the loss or damage was detected. Damage to or loss of assets which can be ascribed to negligence must be recovered from such an employee.

SHORT TITLE

This policy will be referred to as the Asset Management Policy of the Langeberg Municipality.



BORROWING, FUNDS AND RESERVES POLICY



Approved by Council on _____

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1. INTRODUCTION

The documented **Borrowing, Funds and Reserves Policy**, sets out the framework for the prudent use of Borrowing, Funds and Reserves available to the municipality.

This Policy should be implemented in conjunction with the approved **Liquidity Policy**. The Liquidity Policy sets out the prudent level of cash to be maintained by the Municipality as one of several factors to ensure long term financial sustainability. It is however of equal importance to protect, maintain and extend the infrastructure of the Municipality to ensure the continued provision of services at an acceptable standard.

This policy is implemented to provide guidance on the appropriation of capital funding resources on a sustainable basis in the longer term.

2. BACKGROUND AND APPROACH

With reference to the applicable legislation as referred to in paragraph 3 below. Legislation exists and prescribes the framework of a Borrowing as well as Funds and Reserves Policy and these factors will all be addressed in this Policy.

Although legislation provides guidance as to the broader framework to ensure financial management of resources to ensure the Council meets all of its obligations timeously, it is not prescriptive with regards to quantifying not only the prudent level of Borrowing, Funds and Reserves but more so the optimal level hereof.

Therefore in this Policy cognisance has been taken of the legislative guidelines whilst more prescriptive guidelines are set for the optimal management and monitoring of resources to the Municipality's avail based on sound financial practices.

3. LEGISLATIVE REQUIREMENTS

The legislative framework governing borrowings, funds and reserves are:

- 3.1. Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA) must be complied with and MFMA Circular 71 stipulates the following guidelines regarding borrowing:

Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure

Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x100

Criteria: 6% - 8%

Debt (Total Borrowings) / Revenue

(Overdraft + Current Finance Lease Obligation + Non Finance Lease Obligation + Short Term Borrowings + Long Term Borrowings) / Total Operating Revenue *Criteria: Maximum 45%*

- 3.2. Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

4. FUNDING POLICY

The Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009 stipulates:

8. (1) *Each municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating –*
- (a) *projected billings, collections and all direct revenues;*
 - (b) *the provision for revenue that will not be collected;*
 - (c) *the funds the municipality can expect to receive from investments;*
 - (d) *the dividends the municipality can expect to receive from municipal entities;*
 - (e) *the proceeds the municipality can expect to receive from transfer or disposal of assets;*
 - (f) *the municipality's borrowing requirements;*
 - (g) *the funds to be set aside in reserves.*

In terms of Section 18 and 19 of the MFMA an **annual budget** may only be funded from:

Cash backed accumulated funds from previous years' surpluses not committed for other purposes:

Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects with no recurring operating expenditure resulting thereof.

Borrowed funds, but only for capital projects:

Actual capital expenditure may only be incurred on a capital project if the funding for the project has been appropriated in the Capital Budget, but has also been secured from the financial source that is not committed for another purpose.

Realistically anticipated revenues to be collected:

Realistic anticipated revenue projections must take into account projected revenue for the current year based on actual collection levels in previous financial years.

4.1. OPERATING BUDGET

The Operating Budget should be cash funded. The Operating Budget is funded from the following main sources of revenue:

- a) Property Rates;
- b) Surplus generated from Service Charges;
- c) Government Grants and Subsidies;
- d) Other revenue, fines, interest received etc.;

The following guiding principles apply when compiling the Operating Budget:

- a) Growth parameters must be realistic taking into account the current economic conditions;
- b) Tariff adjustments must be in line with approved tariff policy;
- c) Revenue from Government Grants and Subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes. Transfers of a conditional nature must be appropriated only as prescribed and should not be used to fund the Operating Budget;
- d) Revenue from public contributions, donations or any other grants may only be included in the Budget if there is acceptable documentation that guarantees the funds and if the transfers are unconditional of nature;
- e) Provision for revenue that will not be collected is made against the expenditure item bad debt and based on actual collection levels for the previous financial year and the reasonably projected annual non-payment rate;
- f) Interest received from actual Long-term and or Short-term Investments are based on the amount reasonably expected to be earned on cash amounts available during the year according to the expected interest rate trends. The actual amount allocated for interest on investments is contributed to the Capital Replacement Reserve;
- g) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total as well as new and/or funded vacant positions. As a guiding principle the salary budget should not constitute more than 35% of annual Operating Expenditure;
- h) Depreciation charges are fully budgeted for according to the Asset Register.
- i) The annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs;
- j) Sufficient provision must be made for the maintenance of existing infrastructure based on affordable levels. The maintenance budgets are normally lower than the recommended levels as a guiding principle repair and maintenance should constitute between 5% and 8% of total operating expenditure and should annually be increased incrementally until the required targets are achieved;
- k) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure.

4.2. CAPITAL BUDGET

The capital budget provides funding for the municipality's capital programme based on the needs and objectives as identified by the community through the Integrated Development Plan and provides for the eradication of infrastructural backlogs, renewal and upgrading of existing infrastructure, new developments and enlargement of bulk infrastructure.

The capital budget is limited by the availability and access to the following main sources of funding:

- a) Accumulated cash backed internal reserves such as the Capital Replacement Reserve;
- b) External borrowings;
- c) Government Grants and Subsidies;
- d) Public Donations and Contributions.

The following guiding principles apply when considering sources of funding for the capital budget:

a) Government Grants and Subsidies:

- a. Only Government Gazetted allocations or transfers as reflected in the Division of Revenue Act or allocations as per Provincial Gazettes may be used to fund projects;
- b. The conditions of the specific grant must be taken into consideration when allocated to a specific project.
- c. Grants from the district municipality will be treated as other grants although they come with conditions.

b) Public Donations and Contributions:

- a. In the case of public contributions, donations and/or other grants, such capital projects may only be included in the annual budget if the funding has been received by the municipality already.

c) External Borrowing:

- a. The borrowing requirements as contained in the **Borrowing**

Policy in paragraph 6 are used as a basis to determine the affordability of external loans over the Medium Term Income and Expenditure Framework. The ratios to be considered to take up additional borrowings are as follows, unless in contravention with any loan covenants:

- i. Estimated long-term credit rating of BBB and higher;
- ii. Interest Paid to Total Expenditure not to exceed 5%;
- iii. Total Long-term Debt to Total Operating Revenue (excluding conditional grants and transfers) not to exceed 30%;
- iv. Operating Cash Surplus generated before loan repayments are made covers the Total Annual Repayment at least 1 time;
- v. Percentages of Total Annual Repayment (Capital and Interest) to Operating Expenditure to be less than 10%.

d) Cash backed Reserves

- a. Allocations to capital projects from cash backed internal reserves will be based on the available funding for each ring-fenced reserve according to the conditions of each reserve. With reference to Paragraph 5, **Reserves Policy**.

All capital projects have an effect on future operating budget therefore the following additional cost factors should be considered before approval:

- a) Personnel cost to staff new facilities once operational;
- b) Contracted services, that is, security, cleaning etc.;
- c) General expenditure such as services cost, stationery, telephones, material etc.;
- d) Other capital requirements to the operate facility such as vehicles, plant and equipment, furniture and office equipment etc.;
- e) Costs to maintain the assets;
- f) Interest and redemption in the case of borrowings;

- g) Depreciation charges;
- h) Revenue generation as the additional expenses incurred may be offset by additional revenue generated to determine the real impact on tariffs.

5. RESERVES POLICY

All reserves are “ring fenced” as internal reserves within the accumulated surplus, except for provisions as allowed by the General Recognized Accounting Practices (GRAP):

- a) Capital Replacement Reserve
- b) Revaluations Reserve
- c) Social Contribution Reserve

The municipality endeavours to effectively utilise and maintain the **Capital Replacement Reserve** for the funding of capital replacement and renewal for future financial years. This reserve needs to be cash backed. This will provide the municipality with a more balanced capital funding approach in the longer term thereby reducing the risk of reaching its maximum gearing ability or depleting its free cash.

This Reserve can be generated as follows from the Operating Budget; the following methodology needs to be read in conjunction with the **Liquidity Policy**:

a) Cash generated from Operating Activities:

- a. The municipality has maintained a positive ability to generate surplus operational cash flow which it has used to fund part of its capital spending in the past;
- b. Although the depreciation charges may not fully be supported by cash, the Municipality will endeavour to improve the cash coverage ratio in this regard;
- c. Depreciation is a method to generate future cash. Therefore it is prudent to annually measure the cash coverage for depreciation charges until it is fully funded from cash through tariff setting;
- d. As at year end it is to be determined whether the municipality meets its **Minimum Liquidity Criteria** as stipulated in the **Liquidity Policy**, excess cash in

addition to this prescribed level is to be calculated and appropriated to the Capital Replacement Reserve and no more than 50% of the balance of the Capital Replacement Reserve as at year end should be allocated to the following year's capital budget unless sufficient recommendations are made to Council to substantiate such a decision.

b) Interest received on the investment made for the Capital Replacement Reserve

6. BORROWING POLICY

It is required that the Municipality comply with the guidelines of Chapter 6 of the MFMA with regards to Debt Disclosure as detailed in Sections 46, 47, 48 and 49. This section should be read in conjunction with point c) under paragraph 4.2. on page 6. External borrowings may only be incurred for approved capital programmes and may under no circumstances be allocated to fund the Operating Budget.

Municipal infrastructure has a long-term economic life and it is appropriate to fund assets of this nature with long term external borrowing. The economic life of assets should be equal to or longer than the tenure of the external borrowing.

The following needs to be taken into consideration when accessing external borrowing:

a) Types of loan financing

- a. Annuity Loans enable the Municipality to provide for the redemption of loans on an amortising basis which is generally the most cost effective method of financing often referred to as vanilla funding;
- b. Bullet Redemption Loans are attractive as interest on the loan is serviced with the capital redemption only taking place at the end of the tenure of the loan. However, this method is more costly as interest is paid on the full debt throughout the term as the Capital does not reduce. This type of loan also requires an annual contribution to a sinking fund, which in essence then mimics the traits of an annuity loan although at a higher cost. The use of such

structure warrants a detailed motivation based on the benefits to the implementation of the capital project;

- c. Sculpted Repayment Loans offer a combination of the above two types, as loans are sculpted according to the potential cash flows to be generated from the capital project in future. For example the following can be included in a sculpted loan:
 - i. A capital grace period in the first years of the development of the capital project;
 - ii. An incremental annual increase in the repayment in relation to the projected growth in revenue from the project.

b) Interest Rate Risk Management

- a. The impact of interest and capital redemption payments on both the current and forecasted property rates and service charges through tariffs taking into consideration the current and future capacity of the consumer to pay therefore;
- b. Likely movement in interest rates for variable rate borrowings. There are benefits to be yielded from borrowing on a variable rate if rates are projected to decrease in future, however it is prudent for the municipality to enter into fixed interest rate loans to accurately budget for expenses incurred.

c) Tenure of Borrowing

- a. The tenure of external borrowings should where possible match the economic useful life of the asset.

d) Security

- a. Unless sufficient motivation is provided and other than for the provision of a sinking fund for the redemption of a bullet loan, the provision of any security against external borrowings, should be specifically motivated by the CFO for approval.

e) Loan Covenants

- a. The municipality is to maintain a Loan Covenants Register detailing the covenants entered into with each active loan agreement until date of maturity thereof;
- b. Compliance with all loan covenants are to be monitored and reported on semi-annually to ensure that the municipality does not breach any covenants; c. Should a default be triggered based on non-compliance with loan covenants, the municipality is to alert Council and send the related Financial Institutions a written commitment to address the matter within a reasonable timeframe.

f) Level of gearing

- a. As stipulated in point c) under paragraph 4.2. on page 6, gearing is not only limited by the level of debt against the Total Operating Income (excluding conditional grants) but also limited by other operational factors including compliance with the stipulations of the approved **Liquidity Policy**.
- b. Should the municipality not be in contravention with any stipulations in the **Liquidity Policy** or any other approved financial policy, then it is recommended that the municipality maintain external gearing at levels not lower than 20% but not higher than 30%.

7. CORPORATE GOVERNANCE (OVERSIGHT)

Compliance with the various stipulations as documented in this Borrowing, Funds and Reserves Policy need to be monitored by the Chief Financial Officer and reported on to the Municipal Manager on a monthly basis and to the Finance/Audit Committee on a quarterly basis.

Where compliance has been breached the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

8. TRANSITIONAL ARRANGEMENT

Upon adoption of this policy by the Council, the Municipal Manager in conjunction with the Chief Financial Officer must determine the current performance levels of the municipality against this Policy and present a plan of action towards achieving and maintaining the stipulation as set out in this policy thereby utilising a more blended funding mix for capital infrastructure investment.

The Council must approve an appropriate timeframe within which the municipality must achieve the approved stipulations as set out in this Policy. The period between the date of the policy adoption by Council and the target date for compliance shall be known as the Transitional Period.

The Finance Committee must report progress during the approved Transitional Period to the Council.

9. POLICY MANAGEMENT

The Borrowing, Funds and Reserves Policy forms part of the municipality overall financial objectives and therefore forms part of approved Budget Policies. The policy must be reviewed at least annually during the budget revision and presented to Council for approval.

The Policy is effective from the date it is approved by Council.

CASH MANAGEMENT & INVESTMENT POLICY



CASH MANAGEMENT & INVESTMENT POLICY

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PART 1. LEGAL COMPLIANCE

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

This policy must be read with the MFMA and the regulations promulgated under the Act.

A paraphrase of the provisions of this Act and the regulations are attached as Annexure I to this policy.

PART 2. OBJECTIVE OF INVESTMENT POLICY

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

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

The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

PART 3. EFFECTIVE CASH MANAGEMENT

3.1 Cash Collection

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis except in McGregor where banking must be done on such intervals as determined by the Chief Financial Officer.

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

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

3.2 Expenditure management

- (1) *The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.*
- (2) *The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—*
 - (a) *that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;*
 - (b) *that the municipality has and maintains a management, accounting and information system which—*
 - (i) *recognises expenditure when it is incurred;*
 - (ii) *accounts for creditors of the municipality; and*
 - (iii) *accounts for payments made by the municipality;*
 - (c) *that the municipality has and maintains a system of internal control in respect of creditors and payments;*
 - (d) *that payments by the municipality are made—*
 - (i) *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 limit of R 50 000;*
 - (e) *that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure;*
 - (f) *that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments;*
 - (g) *that any dispute concerning payments due by the municipality to another organ of state is disposed of in terms of legislation regulating disputes between organs of state;*
 - (h) *that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;*
 - (i) *that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.*

3.3 Management of Inventory

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

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the chief financial officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

3.4 Cash Management Programme

The chief financial officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a monthly basis. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the chief financial officer with all such information as is required, timeously and in the format indicated.

The chief financial officer shall report to the executive mayor on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

PART 4. INVESTMENT ETHICS

The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the Municipal Manager or a person delegated by the Municipal Manager and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the Municipal Manager or a delegated person, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

Neither the chief financial officer nor the Municipal Manager or the delegated person may accept any gift, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

PART 5. INVESTMENT PRINCIPLES

5.1 Limiting Exposure

Where large sums of money are available for investment the chief financial officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The chief financial officer shall further ensure that, as far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

5.2 Risk and Return

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 6. below).

5.3 Payment of Commission

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

5.4 Call Deposits and Fixed Deposits

Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions.

Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

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

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

5.5 Restriction on Tenure of Investments

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor.

5.6 Permitted investments

A council may invest funds only in any of the following investment types as may be appropriate to the anticipated future need for the funds:

- a) securities issued by the national government;
- b) listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- c) deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of 1984);
- e) deposits with the Corporation for Public Deposits as contemplated by the corporation for Public Deposits Act, 1984 (Act No. 46 of 1984);
- f) banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990;
- g) guaranteed endowment policies with the intention of establishing a sinking fund;
- h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- i) municipal bonds issued by a municipality; and
- j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

PART 6. CONTROL OVER INVESTMENTS

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

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

The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe.

PART 7. OTHER EXTERNAL INVESTMENTS

From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

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

PART 8. BANKING ARRANGEMENTS

The municipal manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer. The municipal manager and chief financial officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The chief financial officer is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the executive mayor on a monthly basis, as part of the report dealing with the municipality's investments.

In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for: the administration of the external finance fund. One or more separate accounts shall also be maintained for purposes as may be prescribed by the Act. In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

The municipal manager shall invite tenders for the placing of the municipality's bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the municipal manager, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective.

PART 9. RAISING OF DEBT

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

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

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

PART 10. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

In managing the municipality's investments, the chief financial officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the council at the time that the loan itself is approved.

If the loan raised is not a fixed term loan, but an annuity loan, the chief financial officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

PART 11. INTEREST ON INVESTMENTS

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

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

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

PART 12. ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

SECTION 7: OPENING OF BANK ACCOUNTS

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

A municipality may not open a bank account:

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

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

SECTION 8: PRIMARY BANK ACCOUNT

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

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

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

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

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

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

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer all the municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

The accounting officer may delegate the duties referred to above only to the municipality's chief financial officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

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

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

Any authorisation to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the chief financial officer to withdraw money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

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

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

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

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

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

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

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

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

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

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

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

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- particulars of the municipality's investments.
-

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

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

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

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

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

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

SECTION 45: SHORT-TERM DEBT

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

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

The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

SECTION 46: LONG-TERM DEBT

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

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

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

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

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

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

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

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

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

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

PART 13: ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1. CONTRACTS: MANAGEMENT OF

Within such general buying and related procedures as the chief financial officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the executive mayor:

- all buying contracts shall be administered by the chief financial officer, and all payments relating to such contracts shall be authorised by the chief financial officer or the head of department concerned; and
- all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department in accordance with the provisions of Section 3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the chief financial officer for payment.

2. PAYMENTS

- 2.1 All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).
- 2.2 The chief financial officer shall draw all cheques on this account, and shall, in consultation with the municipal manager and with due regard to the council's policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time decide on appropriate signatories.
- 2.3 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 authorized in terms of such rules and procedures as are determined from time to time by the chief financial officer.
- 2.4 The maximum amount and nature of petty cash disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. 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.
- 2.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.
- 2.6 Due to the discontinuation of cheques, for all petty cash purchases, officials will use their own cash and claim the expense back from the Municipality, but the same approvals for petty cash will still prevail.

3. REVENUE AND CASH COLLECTION

- 3.1 Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.
- 3.2 The chief financial officer shall ensure that all revenues are properly accounted for.
- 3.3 The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the chief financial officer in terms of the credit control policy of council.
- 3.4 The chief financial officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs.

4. BANKING OF RECEIPTS

- 4.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the chief financial officer.
- 4.2 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the chief financial officer.



VIREMENT POLICY



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1. PURPOSE

The aim is to give heads of departments greater flexibility in managing their budget. This policy aims to provide guidance to senior management in the use of virements as a mechanism in the day-to-day management of their budget.

In addition, it specifically aims to empower senior managers with an efficient financial- and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the municipality's system of delegations.

2. BACKGROUND

A virement represents a flexible mechanism to affect budgetary amendments within a financial year, and represents a mechanism to align and take corrective (financial/budgetary) action within a Vote or Directorate during a financial year.

To transfer funds from one operating or capital project to another operating or capital project within a vote, a saving has to be identified within the monetary limitations of the approved vote allocations on the respective budgets.

Any budgetary amendments of which the net impact will result in exceeding the approved annual budget allocation for a vote and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA Section 28).

In practice, as the year progresses, circumstances may change resulting in certain estimates being under-budgeted and others over-budgeted. It is not practical to refer any such deviations to Council and it is therefore common practice to delegate certain authority for virements to the Municipal Manager and senior officials.

3. LEGISLATION REQUIREMENTS

In terms of the Constitution the approval of a budget is the responsibility of the Council. This does not mean the approval of every line item but is rather aimed at the approval of the budget as a financial and service delivery document. The process and other requirements are controlled by the Municipal Finance Management Act, Act 56 of 2003(MFMA) and related circulars and guideline that are prescribed by National Treasury.

Unlike the Public Finance Management Act, Act 1 of 1999 (PFMA) and Treasury Regulation on PFMA, the Municipal Finance Management Act, Act 56 of 2003 is not specific with regards to virements.

4. VIREMENT REQUIREMENTS AND LIMITATIONS

- 4.1 In terms of Section 17 of the MFMA a municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.
- 4.2 No funds may be viremented between Votes (Directorates).
- 4.3 No virements may be made where it would result in unauthorized expenditure (Section 32 of MFMA).
- 4.4. Virements may not be made between Expenditure and Revenue.
- 4.5 Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 of MFMA)
- 4.6 No virements are permitted in the first three months or final month of the financial year without an express recommendation by the specific Director and the approval of the Chief Financial Officer or his/her delegate.

5. OPERATING BUDGET VIREMENTS

5.1 Employee related Cost and Remuneration of Councillors

- Virements are allowed within Employee related Cost.
- Virements are allowed within Remuneration of Councillors.
- Virements to and from Employee Related Cost and Remuneration of Councillors are not permitted to inter alia avoid creating recurring expenses not planned for.

5.2 Specific operating expenditure items

- Virements to and from the following items are not allowed: Bulk purchases; Bad debts written off, Interest, Dividends and Rent on Land; Depreciation and Amortisation; Transfer and Subsidies; Gains and Losses; Default Expenditure; Inventory related to Water and Other non-cash items as determined by the Chief Financial Officer.
- Virements will only be allowed **within the same source of funding in the funding segment.** (MFMA Circular 89 page 5 par 2.2)
- Virements from Operating Maintenance projects to either typical workstream projects or municipal running cost projects are not permitted.

- Virements to Operational Maintenance Projects are however permitted.
- Virements to Typical workstream projects from Municipal Running Cost projects are permitted.
- Virements between Typical workstream projects are permitted.
- Due to the mSCOA implementation and possible challenges with classification and interpretation of certain classifications of expenses, virements to amend budgets to be more in line with mSCOA classification will be permitted, subject that any virements must be within a Directorate and comply with requirements as stated above.

6. CAPITAL BUDGET VIREMENTS

6.1 Virements from Capital to Operating Budget

No virements from capital to operating budget will be permitted as these projects have been included in the capital budget through an extensive public participation process.

6.2 Virements from Operating to Capital Budget

No virements from operating to capital budget will be permitted as these budgets may only be amended by Council.

6.3 Virements within Capital Budget

No virements permitted between capital projects.

7. VIREMENT PROCESS

Requests for transfers, as motivated, will be done by the relevant Manager and Director on a prescribed form and provided to the Chief Financial Officer or his/her delegated official for his/her approval.

TARIFF POLICY



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TARIFF POLICY LANGEBERG MUNICIPALITY

PREAMBLE

Whereas section 74 of the Local Government: Municipal Systems, 2000 (Act No. 32 of 2000) requires a municipal council to adopt a tariff policy on the levying of fees for municipal services;

And whereas the tariff policy at least should include the principles in section 74(2) of the Act;

And whereas the tariff policy may differentiate between different categories of users, debtors, service providers, service standards and geographical areas as long as such differentiations does not amount to unfair discrimination;

Now therefore the Municipal Council of the Langeberg Municipality adopts the following tariff policy:

DEFINITIONS

1. In this tariff policy, unless inconsistency with the context, a word or expressions to which a meaning in the Act has been attached means:

“break even”: occurs where the volume sales are equal to the fix and variable cost associated with the provision of the service;

“community service”: are services that the Council has classified as such and the tariffs have been compiled with the intention that the costs of the services cannot be recovered fully from public service charges and are of a regulatory nature;.

“economic services”: are services that the Council has classified as such and the tariffs have been compiled with the intention that the total costs of the services are recovered from customers;

“fixed costs”: are costs which do not vary with consumption or volume produced;

“lifeline tariffs”: a unit charge calculated by dividing the total cost associated with the service by the volume consumed (units);

“resident” a person who is ordinary resident in the municipal area;

“sewerage services” includes water-borne- and conservancy tank removal services;

“the Act”: refers to the Local Government: Municipal Systems Act, 2000 (Act no 32 of 2000);

“total cost”: is the sum of all fixed and variable costs associated with a service;

“trading services”: are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services;

“two-part tariffs”: are tariffs that are raised to cover the fixed and variable costs separately. The fixed costs are recovered by dividing the total fixed costs by the number of customers per category and the variable costs are recovered by dividing the total variable costs by the volume consumed;

“units consumed”: are the number of units consumed of a particular service and are measured in terms of the units of measurement reflect in Section 6;

“variable costs”: these are costs that vary with consumption or volume produced.

PURPOSE OF THIS POLICY

2. The Langeberg Municipality wishes to achieve the following objectives by adopting this tariff policy.

- (1) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).
- (2) To prescribe procedures for calculating tariffs where the municipality wishes to appoint service providers in terms of section 76(b) of the Act.
- (3) To give guidance to the Mayor who must make tariff proposals to the Council during the annual budget process.

TARIFF PRINCIPLES

3. The Langeberg Municipality wishes to record that the following tariff principles will apply.

- (1) Free services will only be possible if the National Government pay to the municipality an equitable share subsidy which covers the full costs of the free services.
- (2) All users of municipal services will be treated equitably. The various categories of customers will pay the same charges based on the same cost structure.
- (3) The amount payable by consumers will be in proportion to usage of the service.
- (4) Indigent households must at least have access to basic services through lifeline tariffs or direct subsidisation.
- (5) Tariffs must reflect the total cost of services.
- (6) The total cost of providing services within the geographical area of the municipality will be used to calculate tariffs.
- (7) Tariffs must be set at a level that facilitates the sustainability of services. Sustainability will be achieved by ensuring that:
 - (a) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made.
 - (b) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- (8) Provision will be made in appropriate circumstances for a surcharge on a tariff. This will be required during a national disaster and periods of droughts when a restriction of usage is required.
- (9) Efficient and effective use of resources will be encouraged by providing for penalties to prohibit exorbitant use.
- (10) The extent of subsidisation of tariffs for indigent households will be disclosed.
- (11) Where a developer provide and maintain the internal service networks of a area a rebate of a maximum of 20% may be applied.
- (12) VAT is not included in trading and economical service tariffs.

CATEGORIES OF CUSTOMERS

4. (1) Different tariffs may be introduced for the following categories of customers:-

- a) domestic;
- b) commercial;
- c) industrial;
- d) agricultural;
- e) rural;
- f) small holdings;
- g) municipal services;
- h) sport organisations;
- i) special agreements; and
- j) geographical areas.

(2) Where there is a substantial difference between the infrastructure or the quality of the service provided to a specific group of users within a category or geographical area the Council can, after the considering a report supported by an engineers certificate, determine differentiated tariffs for the different consumer within the specific category or geographical area.

(3) The differentiation must be based on one or more of the following elements; infrastructure costs, volume usage, availability and service quality.

SERVICE-, EXPENDITURE CLASSIFICATION AND COST ELEMENTS

Service classification

5. (1) Subject to the guidelines provided by the National Treasury of the Department of Finance services will be classified as follows:

(a) ***Trading services***

- (i) Water / Irrigation water.
- (ii) Electricity.

(b) ***Economic services***

- (i) Refuse removal.
- (ii) Sewerage disposal.

(c) ***Community services***

- i) Air pollution.
- ii) Fire fighting services.
- iii) Local tourism.
- iv) Municipal planning.
- v) Municipal public works, only in respect of the needs of municipalities in the discharge of their responsibilities and to administer functions specially assigned to them under the Constitution or any other law.
- vi) Stormwater management system in built-up areas.
- vii) Trading regulations.
- viii) Fixed billboards and the display of advertisements in public places.
- ix) Cemeteries.
- x) Control of public nuisances.
- xi) Control of undertakings that sell liquor to the public.
- xii) Township development.
- xiii) Facilities for accommodation, care and burial of animals.

- xiv) Fencing and fences.
- xv) Licensing of dogs.
- xvi) Licensing and control of undertakings that sell food to the public.
- xvii) Local amenities.
- xviii) Local sport facilities.
- xix) Municipal parks and recreation.
- xx) Municipal roads.
- xxi) Noise pollution.
- xxii) Pounds.
- xxiii) Public places.
- xxiv) Street trading.
- xxv) Street lighting.
- xxvi) Traffic and parking.
- xxvii) Building control.
- xxviii) Licensing of motor vehicles and transport permits.
- xxix) Nature reserves.

(d) ***Subsidised services***

- (i) Health and ambulance.
- (ii) Libraries and museums.
- (iii) Proclaimed roads.

Expenditure classification

(2) Expenditure will be classified in the following categories, subject to the requirements of General Recognized Accounting Practices (GRAP) and National Treasury requirements.

(a) **Subjective classification:**

- (i) Salaries, wages and allowances;
- (ii) Bulk purchases;
- (iii) General expenditure;
- (iv) Repairs and maintenance;
- (v) Capital charges (interest and redemption)/depreciation;
- (vi) Contribution to fixed assets;

- (vii) Contribution to funds:
 - a) Bad debts;
 - b) Working capital; and
 - c) Statutory funds.
- (viii) Contribution to reserves;
- (ix) Gross expenditure;
- (x) Less charge-out;
- (xi) Net expenditure;
- (xii) Income; and
- (xiii) Surplus/Deficit.

(b) Objective classification:

- (i) Cost centres will be created to which the costs associated with providing the service can be allocated:
 - a) Department.
 - b) Section/service.
 - c) Division/service.
- (ii) The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

Cost elements

- (3) The following cost elements will be used to calculate the tariffs of the different services:
 - (i) *Fixed costs* which consist of the capital costs (interest and redemption) on external loans as well as internal advances and or depreciation whichever are applicable to the service and any other costs of a permanent nature as determined by the Council from time to time.
 - (ii) *Variable cost*: This includes all other variable costs that have reference to the service.
 - (iii) *Total cost* is equal to the fixed cost plus variable cost.

TARIFF TYPES

6. In determining the type of tariff applicable to the type of service the Council shall make use of the following five options or a combination of the same.

- (1) *Single tariff:* this tariff shall consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure breaks even. Profits on trading services may be allowed subject to Council approval.
- (2) *Cost related two to four part tariff:* this tariff shall consist of two to four parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed. Three and four part tariffs will be used to calculate the tariff for electricity and to provide for maximum demand and usage during limited demand.
- (3) *Inclining block tariff:* this tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.
- (4) *Declining block tariff:* this tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fix and variable cost and profit determined by council from time to time by the volume consumed.
- (5) *Regulating tariff:* this tariff is only of a regulatory nature and the municipality may recover the full or a portion of the cost associated with rendering the service.

UNIT OF MEASUREMENT AND METHODS OF CALCULATIONS

7. The following units of measurement will, where possible, be used to determine tariffs:

(1) **Water**

(a) Unit of measurement

- (i) Basic fee per connection
- (ii) Per kiloliter water used/measured
- (iii) Combinations of (i) and (ii)
- (iv) Per minute of water used/measured (irrigation water)

(b) Method of calculation

- (i) The fixed costs of the service shall consist of the costs indicated as such by the council.
- (ii) The volume on which a user is entitled in terms of the size of the connection will be converted to a relation factor by comparing the radius square root of one connection to the radius square root of another. The cost of the service does not depend on the type of consumer, but on connecting the supply line, which determines amount of the supply. The following table will be used to calculate the fixed cost per user or service connection:

	Supply Size	Ratio Factor
	20mm	1.00
	25mm	1.56
	32mm	2.56
	40mm	4.00
	50mm	6.25
	80mm	16.00
	100mm	25.00
	>100mm	56.25

The ratio factor is calculated, given that the circumstances are the same for purposes of comparison, by placing the diameter quadrate of a meter in ratio to the diameter quadrate of another meter. E.g. 50mm*50mm : 25mm*25mm = 4:1 which means that a 50mm supply line can receive water of a volume up to four times more than a 25mm supply line. This effectively means that, by classifying the consumers based upon the size of the supply line, a more equitable basis of contribution to costs is reached, than by allocating a specific tariff to a certain type of consumer. In this manner, cross-subsidizing will be largely eliminated. The calculation above was based on a ratio of 20 mm.

- (iii) The unit tariff will be calculated by dividing the variable cost by the volume used.
- (iv) Owners of properties which can not connect to the water service but can reasonably be connected will pay an availability tariff.
- (v) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- (vi) In accordance with both the indigent policy, and the policy followed throughout the country, a water supply of 6Kl per month will be sold at a tariff of R0 to indigents.
- (vii) Where there is one supply point on a premise which serves more than one consumer's point, will only the owner be charged for the supply point.
- (viii) Every housing and business unit where a seperate electricity meter is installed is considered to be a consumer point,
- (ix) When a consumers point is vacant, the approved basic fee are levied on that unit.
- (x) In cases where a house owner association deliver water services directly to the residents within the complex and maintain such networks, will the house owners association be liable for 90% of the basic fee for water service that are rendered by the house owners association.

- (xi) Inclining block tariffs will be implemented to prohibit the exorbitant use of a commodity.
- (xii) An infrastructure basic charge for water will be charged on a monthly basis on all properties or units except indigent households according to the tariff category linked to the property.

(2) **Electricity**

(a) Unit of measurement

- (i) Basic fee.
- (ii) kWh – Active Energy.
- (iii) kVA – maximum demand (thermic or block) register in a half an hour period.
- (iv) kVA used
- (v) kVA demand
- (vi) Combination of above

(b) Method of calculation

- (i) The guidelines issued by the National Electricity Regulator from time to time will form the basis of calculating tariffs.
- (ii) The fixed costs of the service shall consist of the costs indicated as such by the council.
- (iii) Where council decide to make a profit on the service the profit will be added to the fixed and variable cost before tariffs are calculated.
- (iv) Where a property is not connected to the electricity reticulation system but can reasonably be so connected, an availability tariff will be payable.
- (v) Consumers will be classified in one or more of the followed groups:

Conventional up to 60 Ampere
Pre-paid
Conventional up to 80 Ampere

Conventional up to 150 Ampere
Bulk 500 Volt
Bulk 11Kv
Street lights
Rural
Conventional up to 25 Kva
Conventional up to 50 Kva
Conventional up to 100 Kva
Bulk 500 Volt
Bulk 11Kv

- (vi) Every housing and business unit where a separate electricity meter is installed is considered to be a consumer point,
- (vii) Where there is one supply point on a premise which serves more than one consumer's point, each consumer's point be considered a consumer and classified according the consumer's group applicable, e.g. flats, shopping centres, residences with separate flats, etc.
- (viii) In cases where a house owner association deliver electricity services directly to the residents within the complex and maintain such networks, will the house owners association be liable for 90% of the basic fee for electricity services that are rendered by the house owners association.
- (ix) A certain quantity of kWh will be supplied to indigents free of charge, in terms of Council's Credit Control and Debt Collection Policy.
- (x) An infrastructure basic charge for electricity will be charged on a monthly basis on all properties or units except indigent households according to the tariff category linked to the property.

(3) Refuse removal

- (i) Unit of measurement
 - (i) Standard container removal per week (volume).
 - (ii) Bulk containers removal per week (volume).
 - (iii) Volume per load.
- (b) Method of calculation

(i) The volume refuse, time and capacity disposed and required by the various category consumers will be used to apportion the total cost as the service between the various categories consumers. The following table will be used as a basis:

It is proposed that consumers be divided into the following groups:

Tariff no	User group	Factor
1	1 Removal per week. Households and institutions where only one removal per week occurs.	1
2	2 Removals per week. Institutions where 2-3 removals per week take place. Normally restricted to a number of bins per week.	2.5
3	Bulk removals Removals from institutions where more than three removals per week must take place or more than a fixed number of bins per removal are required.	5
4	“Wet” removals Removals where refuse is wet, rotten and unpleasant for example fish shops etc.	6.5
5	Self removals May only occur on application and approval by the municipality and will be restricted to bulk consumers and “wet” industries.	40% of applicable tariff
6	Peri-urban	+25%

Council can limit the number of containers per removal to :

Tariff 1 Removal once per week. 2 Bags (2 bags= 1 Container)

Tariff 2 Removal twice-weekly 5 Containers per removal

Tariff 3 3 Bulk 12 containers per removal

- (ii) Opportunity cost for once-off removal will be calculated by recovering the cost of the volume removed plus a 20 % surcharge
- (iii) Dumping fees will be based on the volume refuse dumped per load
- (iv) The removal of building rubble and waste material will be done on a quotation basis after considering the type of material, quantity and distance from the disposal site have been considered
- (v) In cases where a house owner association deliver refuse services directly to the residents within the complex, will the house owners association be liable for 90% of the basic fee for the refuse service that are rendered by the house owners association.
- (vi) Where a property is not developed but reasonably the refuse removal service can be delivered, an availability tariff will be payable.

(4) *Sewerage removal and emptying of conservancy tanks*

(a) Unit of measurement

- (i) Size of water connection.
- (ii) Tanker load.
- (iii) Number of tank loads.

(b) Method of calculation

- (i) 6000 kiloliter of water, or part thereof measured per year will be regarded as one unit/point. A basic fee will be charged for every unit/point.
- (ii) The following factors will be used to determine the tariffs:

It is therefore proposed that the consumers be grouped as follows:

< 20mm Water connection
 21-50mm Water connection
 > 50 mm Water connection

	Weight
<= 20mm Water connection	1

21-50mm Water connection	2.78
50mm > Water connection	14.72

- © Availability charges are levied on premises which are not connected to Council's network, but which can reasonably be connected.
- (d) Where there is one supply point on a premise which serves more than one consumer's point, each consumer's point be considered a consumer and classified according the consumer's group applicable, e.g. flats, shopping centers, residences with separate flats, etc.
- (e) Every housing and business unit where a seperate electricity meter is installed is considered to be a consumer point,
- (f) When a consumers point is vacant, the approved availability charges are levied on that unit.
- (g) In cases where a house owner association deliver and maintain sewerage services directly to the residents within the complex, will the house owners association be liable for 90% of the basic fee for sewerage service that are rendered by the house owners association.
- (h) No sewage charges are levied in instances where no connection to the reticulation network is possible and no services are delivered subject to the following:
 - (i) Sewage charges are levied as soon as connections to the network is possible;
 - (ii) Sewage charges are levied as soon as services are delivered
 - (iii) The relevant owner apply on the prescribed form and accept the conditions in writing.

Community and subsidised services

- 5. (a) Unit of measurements

- (i) The unit of measurement as reflected in table 1 here under will be used to determine regulatory community and subsidised services.

(b) Method of calculation

- (i) These tariffs will be adjusted annually during the budget meeting by increasing the tariff that applied during the previous financial year by a number of percentage points.
- (ii) Tariffs that differ from area to area may be approved by council but must be equalised within three years after the adoption of this policy.

Table 1

FUNCTION	UNITS OF RETURN
CORPORATE SERVICES	
ADMINISTRATION	Fixed amount per certificate
Valuation certificate	
Photostats A4 size	Fixed amount per Photostats
Photostats A3 size	Fixed amount per Photostats
Rent of Carports	Fixed amount per stand
Faxes (receiving, sending - inside/Outside or international)	Fixed amount per fax
Erve developed plot	Fixed amount per plot
Information to public	As per Govern Gazette No 24844/16 May 2003
Sundry Services	Actual cost plus 20%
Displaying of posters	Fixed deposit amount per occasion

ENVIRONMENTAL-MANAGEMENT SERVICES	
CEMETERY	
Only/Single Grave (dig grave yourself)	Fixed amount per grave
Digging of graves by municipality • Single • Double	Fixed amount per grave Fixed amount per grave
Opening and closing of Grave • Office hours • After-hours	Fixed amount per grave Fixed amount per grave
• Bricking of single grave	Actual cost + 20%
• Bricking of double grave	Actual cost + 20%
• Wall of Remembrance	Fixed amount per opening
HALLS	
Hiring of property:	
Hiring of Halls	Fixed amount per hiring
Hiring of Cutlery	Fixed amount per service
Hiring for Spiritual occasions	Fixed amount per hiring
Hiring for financial gain (wins)	Fixed amount per hiring
Hiring of "Koelkamer"	Fixed amount per hiring
Hiring if Kitchen	Fixed amount per hiring
Blood Services per year	Fixed amount per year
Social Services per year	Fixed amount per year
Dept of Home Affairs	Fixed amount per hiring
All Pay payments	Fixed amount per hiring
Park Market	Fixed amount per hiring
Auctions/Exhibitions	Fixed amount per hiring

Meetings	Fixed amount per hiring
Sport and Entertainment	Fixed amount per hiring
Educational institutions	Fixed amount per hiring
Side halls and kitchens	Fixed amount per hiring
Elections	Fixed amount per hiring
Entertainment	Fixed amount per hiring
Preparation	Fixed amount per day
Opening and closing of halls	Fixed amount per occasion
SWIMMING POOL FEES	
Entrance Fee for child, adult and supervisory adult	Fixed amount per child and per adult
Ticket for month	Fixed amount per person
Season tickets	Fixed amount per person
Hiring for galas	Fixed amount per occasion
Primary School per year	Fixed amount per school
High School per year	Fixed amount per school
Groups per day: (10-20) Children	Fixed amount per group
Groups per day: (10-20) Adults	Fixed amount per group
Swimming lessons: Group per day (10-20)	Fixed amount per group
Annual fee for swimming clubs	Fixed amount
Lane hire for swimming club/coaches (per hour, max 2 hours)	Fixed amount
LIBRARY	
Duplicate cards	Fixed amount per card
Reservation of books	Fixed amount per book
Fine for late return of books, magazines, videos, CD, tapes and portraits	Fixed amount per week plus costs for steps taken
Fines for damages to books, lenders history, plastic cover, book bags, lenders etc.)	Fixed amount per item (books, lenders etc.)

tear/pen marks/soil marks, sand in books, water damages, magazine damaged, CD damaged, CD holders, video holders.	Replacement cost as determined by Provincial Library Services for damaged material
Photocopies (A4 and A3)	Fixed amount per page
Deposits: Visitors	Fixed amount per book
Hiring of Activity Rooms	Fixed amount per room for every town
DISASTER MANAGEMENT	
FIRE DEPARTMENT	
Call outs:	Fixed amounts for each hour per person plus fixed tariff per kilometre per call out
ENVIRONMENTAL SERVICES	
Hiking trails • Per function/group • Overnight • Hikers for day • Permit for year • Badskloof – route • Mountaineers • Day visitors • Fee for year • Hiking trails • Badges	Fixed amount per 40 persons Fixed amount per adult and child Fixed amount per adult and child Fixed amount per person Fixed amount per adult and child Fixed amount per adult and child Fixed amount per adult and child Fixed amount per person Fixed amount per adult and child Fixed amount per badge
POUND	
Ox/Sheep/Goats/Pigs	Actual cost + 20%

TRAFFIC	
Store of vehicles • Under 3500kg • Above 3500kg	Fixed amount per day Fixed amount per day
Towing	Actual costs + 20% + VAT
Driving Licence test yard • Code B • Code EB, C EN C • Code EC and EC1 • Driving school per month • Rent of key after office hours	Fixed amount per hour Fixed amount per hour Fixed amount per hour Fixed amount per month Fixed amount per request
Vehicle escort (During or after hours)	Fixed amount per hour + AA tariff per kilometre outside town boundaries + VAT
FINANCIAL SERVICES	
Service deposits	Basic charges plus charges for of highest consumption during the recent 12 months plus 25%
Penalty/interest on late payments	Prime interest rate
Refuse bags	Fixed amount per pack
Prepaid Electricity coupon	Fixed amount per coupon
Valuation Certificates	Fixed amount per certificate
Clearance certificates	Fixed amount per certificate
Copy of budget	Fixed amount per budget
Copy of financial statements	Fixed amount per statement
Private work	Actual costs plus 20%
Penalty for non-payment – Electricity –	Fixed amount per account

Town and Rural area	
Penalty for non-payment – Water	Fixed amount per account
Refunds – No services delivered credits on accounts	Fixed amount
Cheques returned by banks	Fixed amount
Electronic transfers returned	Fixed amount
Additional valuation	Actual costs plus 20% plus VAT per request
Replacement of pre-paid water disc	Fixed amount per disc
Providing of information which lead to confirmed success in admission of guilt or prosecution in regards to. - Unauthorized water/electricity usage - Damaging/ Theft of municipal property - Unauthorized refuse dumping	Fixed amount per offence Fixed amount per offence Fixed amount per offence
Refunds for credits on accounts due to - Payments more than charges - Finalizing of accounts or mistakes made by municipality	Fixed amount per refund No amount payable
INFRASTRUCTURE SERVICES	
ELECTRICITY	
Connection fees: - Single phase(Max 15 meters) - Three phase Second connection on same erf - Single phase - Three phase - New second connection	Fixed amount per connection Actual cost + 20% + VAT Actual cost + 20% + VAT Actual cost + 20% + VAT Actual cost + 20% + VAT

Activation of pre-paid meter	Fixed amount per meter
Swapping of conventional meter with pre-paid meter	Actual cost + 20%
Pre-paid meter	Actual cost + 20%
Bulk connections	Actual cost plus 20%
Rural connections	Actual cost plus 20%
Contribution to bulk services	Fixed amount per connection
Service Calls -	
• Town	Fixed amount per call
• Rural	Fixed amount per call
Repair of cable connections	Fixed amount per call
Temporary builders connection	Actual cost plus 20%
Additional meter readings	Fixed amount per reading
Testing of meters	Actual costs + 20% + VAT
Damaging and/or tampering of municipal services –	
• 1 st offence	Actual costs + 50% + VAT
• 2 nd offence	Actual costs + 100% + VAT
• 3 rd offence	Actual cost + 100% + VAT
Hanging of banners	Fixed amount per banner
Workshop - labour	Fixed amount per hour
CLEANSING	
Garden refuse	Fixed amount per load
Rejected tins per m ³	Fixed amount per m ³
Garden refuse per m ³	Fixed amount per m ³
Special household removal per m ³	Fixed amount per m ³
Industrial refuse per m ³	Fixed amount per m ³
Removal of tyres per m ³	Fixed amount per m ³
Small holdings that dump refuse	Fixed amount per dump
Rural businesses that dump refuse –	
• up to 12 times	Fixed amount for 12 dumpings
• more than 12 dumpings	Fixed amount per additional

on ad-hoc basis per m³ Compacted refuse per ton Removal of glass per m³ Cleaning of erven Removal of illegal dumpings Removal of rejected material per kg Self dumping of rejected material Fruit delivered at compost area Skips – Rent for 6 m³/9 m³ Removal of skip	dumping Fixed amount per m³ Fixed amount per ton Fixed amount per m³ Actual costs + 20% + VAT Actual costs + 20% + VAT Fixed amount per kg Fixed amount per kg Fixed amount per ton Fixed amount per month Fixed amount per km
Compost Compost per m³	Fixed amount per m³
WATER Connections: 15mm – Max 15 meter 15mm - Longer than 15 meter 20mm – Max 15 meter 20mm - Longer than 15 meter - Above 20mm Prepaid meter Swapping of conventional meter with prepaid meter	Fixed amount per connection Actual costs + 20% + VAT Fixed amount per connection Actual costs + 20% + VAT Actual costs + 20% + VAT Actual costs + 20% + VAT Fixed amount per swap
Testing of water meters - Up to 20mm connection - Above 20mm connection	Fixed amount per connection Actual costs + 20% + VAT

Sundry fees Sale of potable water per kl Service calls (Office and After hours) Irrigation water • Building of sluice • Closing of sluice • Opening of sluice • Illegal consumption	Fixed amount per kl Fixed amount per call Fixed amount per sluice Fixed amount per sluice Fixed amount per sluice According to the By law
Fines or penalties • Not complying with the Council decision regarding the water restrictive measures	Fixed amount as determined by Council from time-to-time
SEWAGE	
Connections: • 110mm Pipe – Max 15 meter • 110mm Pipe – Longer than 15 meter • 150mm Pipe – Max 15 meter • 150mm Pipe – Longer than 15 meter	Fixed amount per connection Actual cost + 20% + VAT Fixed amount per connection Actual cost + 20% + VAT
Conservancy Tankers • Septic tanks within town where connection to sewage network is not possible • Septic tanks within town where connection to sewage network is possible • Office and After hours per load	Fixed amount per month (same as sewage charge) Fixed amount per month plus tanker tariff per kilometre Fixed amount per load plus tariff per

Dumping of sewage with own transport per load	kilometres Fixed amount per 5000 litre or portion thereof
HOUSING Repairs to houses	Actual costs + 20% + VAT
ROADS & PAVEMENTS • Single entrance • Double entrance • Per additional curbing	Fixed amount per 5 curbing Fixed amount per 8 curbing Fixed amount per curbing
SUNDRY CHARGES Damaging and/or tampering of municipal services – • 1st offence 2nd offence	Actual costs + 50% + VAT Actual costs + 100% + VAT
PLANNING	
BUILDING PLANS	
Building plan fees	Amount determined per square meter with a fixed minimum amount
Alterations without building plans	Fixed amount per plan
Alterations without changing original square meters	Fixed amount per plan
Amended building plans	Amount determined per square meter of new building
Construction without approved building plan	4 x building plan fee(actual fee hereby included) + VAT
Changes to approved plan	Fixed amount per plan
Builders deposit	Fixed amount per plan
Encroachment contract	Fixed amount per encroachment
Building permit	Fixed amount per permit

Re-inspection fees	Fixed amount per inspection
Penalties : building plan fees	Four times normal building plan fees
Signs: Advertisement	Fixed amount per plan
Gas Installation	Fixed amount per plan
Demolition of Building	Issuing of certificate
Valuation-roll / Building plan info	Fixed amount per copy
TRADING AREAS Plot per day Plot per month Residence - Plot per day Residence - Plot per month	Fixed amount per day Fixed amount per month Fixed amount per day Fixed amount per month
TOURSIM RELATED ROAD SIGNAGES APPLICATION Application	Fixed amount
SPECIAL PROJECT EVENT APPLICATION FEE	Fixed amount
FORMAL AND INFORMAL BUSINESS LICENCE FEE AND ADMINISTRATION FEE	Fixed amount
PLANNING	
Closing of streets	Fixed amount per application
Sub divisions	Fixed amount per application
Rezoning	Fixed amount per application
Consent usage	Fixed amount per application
Deviations	Fixed amount per application
Issue of zoning certificates	Fixed amount per application
Lifting of restrictions	Fixed amount per application
Penalty Clause	Four times applicable fee
Fees for proving parking	As per Scheme Regulations

Copies of plotter (Colour and Mono)	Fixed amount per applicable page
Hawkers Area: per day (Residents and non-residents)	Fixed amount per plot
Development Charge: Rezoning	Fixed amount per erf
Development Charge: Sub Division	Fixed amount per erf
Development charges: contribution to bulk civil services per opportunity (1 opportunity equals to 1 dwelling)	Fixed amount

NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- 8.(1) The council will give notice of all tariffs approved at the annual budget meeting at least 30 days prior to the date that the tariffs become effective. Accounts delivered after the 30 days notice will be based on the new tariffs.
- (2) A notice stating the purport of the council resolution, date on which the new tariffs shall become operational and invitation for objectives will be displayed by the municipality at a place installed for that purpose.
- (3) All tariffs approved must be considered at the annual budget meeting.

IMPLEMENTING AND INTERFACING OF THE POLICY

9. (1) The principle contained in this policy will be reflected in the various budget proposals submitted to council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in section 75 of the Act.
- (2) The council may determine conditions applicable to community service of a regulators nature. These conditions will be reflected in the standing orders of council.

SHORT TITLE

10. This policy is the Tariff Policy of the Langeberg Municipality.



SUPPLY CHAIN MANAGEMENT POLICY

This Policy consists of three parts that must be read together with this Policy:-

The first part is the **Supply Chain Management Policy**, adopted in terms of section 111 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 and the Municipal Supply Chain Management Regulations;

The second part is the **Supply Chain Management Regulations**, GN 868 in GG 27636 dated 30 May 2005, as amended from time to time and promulgated in terms of section 168 of the Municipal Finance Management Act; and

The third part is the **Preferential Procurement Regulations**, R 32 in GG 40533 dated 20 January 2017, as amended from time to time, and promulgated in terms of section 5 of the Preferential Policy Framework Act, Act No. 5 of 2000, which, together with the Supply Chain Management Policy, forms the preferential procurement policy.

Annexure

Annexure A - The Code of Conduct for Suppliers

1. PREAMBLE

WHEREAS Section 217 of the Constitution of the Republic of South Africa requires an organ of state in the local sphere of government, when contracting for goods or services, to do that in accordance with a system which is fair, equitable, transparent, competitive and cost-effective through a procurement policy which may provide for categories of preference and the advancement of persons disadvantaged by unfair discrimination within a framework prescribed by national legislation; and

WHEREAS Section 111 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) requires a Municipality to adopt, maintain and implement a Supply Chain Management Policy; and

WHEREAS the Municipal Supply Chain Management Regulations prescribe what such Supply Chain Management Policy must provide for; and

WHEREAS the Preferential Procurement Regulations prescribe how the preference of certain bidders must be dealt with;

Now **THEREFORE**, the Council of Langeberg Municipality adopts the Supply Chain Management Policy as set out in this document.

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1. DEFINITIONS

In this Supply Chain Management Policy a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Supply Chain Management Regulations, published under GN 868 in GG 27636 dated 30 May 2005, the Preferential Procurement Policy Framework Act (Act No. 5 of 2000), the Preferential Procurement Regulations, 2017 published under R32 in GG 40553 dated 20 January 2017, and the Broad-Based Black Empowerment Act, 2003 (Act No. 53 of 2003), all as amended from time to time, has the meaning so assigned, and, unless the context indicates otherwise:-

“Accounting Officer” means the Municipal Manager of the Municipality or any person acting lawfully in his/her place or on his/her behalf;

“Act” means the Local Government: Municipal Finance Management Act of 2003 (Act No. 56 of 2003);

“Closing time” means the date and hour specified in the bid documents whereafter no bids will be accepted;

“Contract” refers to legally binding agreement between Langeberg Municipality and the service provider;

“Corrected Bid Sum” means the Bid sum, corrected in terms of the bid documentation, where applicable;

“Council” and **“Municipality”** means Langeberg Municipality;

“Order” means an official written order issued for the supply of goods or the rendering of a service in accordance of the accepted bid or price quotation;

“Policy” means this Supply Chain Management Policy;

“Regulations” means the Local Government: Municipal Supply Chain Management Regulations issued in terms of section 168 of the Local Government: Municipal Finance Management Act of 2003, (Act No. 56 of 2003);

“Service Provider” means a current or potential supplier, manufacturer, contractor, vendor, agent, or professional service provider;

“SMME’s” means separate and distinct business entities, including co-operative enterprise and NGOs, managed by one or more owner, as defined as micro enterprises in the National Small Business Act (Act No. 102 of 1996);

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

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

“Written” or **“in writing”** means hand written in ink or any form of mechanical writing in printed form.

Any reference to a transaction value or money in the Policy is **inclusive** of Value Added Tax, unless specifically indicated otherwise.

CHAPTER 1

OBJECTIVES, PRINCIPLES AND ROLES

2. Objectives

- (1) The objectives of this Policy are to give effect to:-
 - (a) the provisions of section 217 of the Constitution of the Republic of South Africa, 1996;
 - (b) the provisions of the Act;
 - (c) the Regulations; and
 - (d) the Preferential Procurement Regulations.
- (2) The Municipality may not act otherwise than in accordance with this Policy when:-
 - (a) procuring goods or services;
 - (b) disposing of goods no longer needed;
 - (c) selecting services providers to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selecting external mechanisms referred to in section 80(1)(b) of the Systems Act for the provision of municipal services in the circumstances contemplated in section 83 of that Act.
- (3) This Policy does not apply, except where specifically provided otherwise in this Policy, in respect of the procurement of goods and services or the disposal of goods as contemplated in section 110(2) of the Act from or to another organ of state, including procuring electricity from Eskom.

3. Principles

The principles of the Policy are:-

- (a) **Accountability:** An effective supply chain management system must be maintained in order to enable the Accounting Officer to discharge his/her responsibilities;
- (b) **Efficiency:** The procurement process must be carried out as cost-effective as possible;
- (c) **Effectiveness:** The Municipality must meet the socio-economic goals of the National Government and sound financial governance appropriate to procurement requirements;

- (d) **Fairness:** The service providers must be treated fairly. The Municipality must not impose unnecessary burdens or constraints on service providers;
- (e) **Legality:** The Municipality must comply with all applicable legislative requirements;
- (f) **Transparency:** The Municipality must ensure that openness and clarity underpins this Policy and its deliverables;
- (g) **Responsiveness:** The Municipality must endeavour to meet the aspirations, expectations and needs of the community served by the procurement;
- (h) **Informed decision-making:** The Municipality needs to base decisions on accurate information and monitor requirements to ensure that they are being met;
- (i) **Integrity:** There must be no corruption or collusion in the execution of this Policy;
- (j) **Consistency:** All service providers and prospective service providers must receive equal treatment in terms of the Policy;
- (k) **Competitiveness:** Procurement must be carried out by competitive process unless there are convincing reasons to the contrary.

4. Oversight role of the Council

The Council must maintain oversight over the implementation of the Supply Chain Management Policy. For the purpose of such oversight, the Accounting Officer must:-

- (a) within 10 days after the end of each quarter, submit a report on the implementation of the Policy to the Executive Mayor;
- (b) within 30 days after the end of the financial year, submit a report on the implementation of the Policy to the Council;
- (c) whenever there are serious and material problems in the implementation of the Policy, immediately submit a report to the Executive Mayor; and
- (d) make public the reports on the Policy in accordance with section 21A of the Systems Act.

5. Role of the Accounting Officer

The Accounting Officer must:-

- (a) at least annually review the implementation of the Policy and when considering it necessary, submit proposals for the amendment of the Policy to Council;
- (b) implement the Policy;
- (c) take account of the need for the uniformity in supply chain practices, particularly to promote accessibility of supply chain management systems for small businesses;
- (d) develop the internal procedures and processes;
- (e) report to Council regarding the implementation of the Policy; and

- (f) ensure the training of supply chain practitioners.

6. Delegation of supply chain management powers and duties

- (1) The Council hereby delegates to the Accounting Officer all powers and duties as set out in this Policy as well as those to enable the Accounting Officer:-
 - (a) to discharge the supply chain management responsibilities conferred on the Accounting Officer in terms of:-
 - (i) chapter 8 and 11 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;
 - (d) to comply with his/her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) The Accounting Officer may not delegate or sub-delegate any supply chain management powers or duties to:-
 - (a) a person who is not an official of the Municipality;
 - (b) a committee which is not exclusively composed of officials of the Municipality; or
 - (c) an advisor or consultant to the Municipality.
- (3) The delegation to the Accounting Officer in terms of sub-paragraph (1) above is subject to the following further conditions:-
 - (a) that a competitive bidding process will be followed for any procurement of a transaction value above R200 000 and the procurement of long term contracts;
 - (b) that on recommendation from the bid adjudication committee, the Accounting Officer makes final awards on procurement of a transaction value above R200 000;
 - (c) that a final award in a competitive bidding process must be made through the committee system provided for in paragraph 8 of this Policy; and
 - (d) that no requirement for goods or services above an estimated transaction value of R200 000 may be split into parts or items of lesser value for the sake of procuring the goods or services otherwise than through a competitive bidding process.

7. Sub-delegations

- (1) The Accounting Officer may in terms of section 79 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 legislation, this Policy and subparagraph (2) of this paragraph.
- (2) The power to make a final award with a transaction value:-
 - (a) above R10 000 000 may not be sub-delegated;
 - (b) of R200 000, but not exceeding R10 000 000, may be sub-delegated but only to a bid adjudication committee of which the chief financial officer is the chairperson and at least 3 (three) senior managers are members and present at the consideration and all are in favour of the award; and
 - (c) up to R200 000 may be sub-delegated to an official.
- (3) 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 8 of this Policy.

8. The committee system for competitive bids will consist of:-

- (a) a bid specification committee;
- (b) a bid evaluation committee; and
- (c) a bid adjudication committee.

9. Committees

- (1) The Accounting Officer must appoint the chairperson, determine the quorum of the committees and appoint members of each committee as follows:-
 - (a) **Bid Specification Committee**

The bid specification committee must consist of one or more officials of the Municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
 - (b) **Bid Evaluation Committee**

The bid evaluation committee must consist of officials from departments requiring the goods or services and at least one supply chain management practitioner.
 - (c) **Bid Adjudication Committee**

The bid adjudication committee must consist of at least 4 (four) senior managers of the Municipality, and must include the following officials:

 - (i) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the office of the Chief Financial Officer reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer;

- (ii) at least one senior supply chain management practitioner; and
 - (iii) an official who has knowledge of the relevant field of the contract, if available.
- (2) Proper record must be kept of all meetings of committees through agendas and minutes.

10. Functions and Purposes of Committees

The following are functions and purposes of the different committees:

(1) Bid Specification Committee

- (a) A bid specification committee must compile the specifications for each procurement of goods and services.
- (b) Specifications:-
 - (i) must be drafted in an unbiased manner to allow all potential service providers to offer their goods or services;
 - (ii) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (iii) where possible, must be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (iv) 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 unless it is unavoidable;
 - (v) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words "equivalent";
 - (vi) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Policy;
 - (vii) must contain the criteria how the technical and financial ability of the bidder will be determined; and
 - (viii) must be approved by the Accounting Officer prior to publication of the invitation for bids.
- (c) The bid specification committee must ensure that a system of awarding points is determined to promote the identified goals of Council.

(2) Bid Evaluation Committee

- (a) A bid evaluation committee must:-
 - (i) evaluate bids in accordance with:-

- the specifications for a specific procurement; and
 - the points system as set out in the regulations as promulgated under the Preferential Procurement Policy Framework Act.
- (ii) evaluate each bidder's ability to execute the contract;
 - (iii) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrear and all other technical requirements have been complied with; and
 - (iv) submit to the adjudication committee a report and recommendations regarding the award of the bid or related matter.

(3) Bid Adjudication Committee

- (a) A bid adjudication committee must:-
 - (i) consider the report and recommendations of the bid evaluation committee; and
 - (ii) either:-
 - depending on its delegation, make a final award or a recommendation to the Accounting Officer on the award; or
 - make a recommendation to the Accounting Officer on how to proceed with the relevant procurement.
- (b) The Accounting Officer may refuse, approve, amend or refer the recommendation back to the evaluation and/or the adjudication committee for reconsideration.
- (c) If a bid other than the one recommended in the normal course of implementing this Policy is approved, the Accounting Officer must comply with section 114 of the Act within 10 (ten) working days.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

11. Format of Supply Chain Management System

This Policy provides systems for:-

- (a) demand management

- (b) acquisition management
- (c) logistics management
- (d) disposal management
- (e) risk management; and
- (f) performance management
- (g) contract management

Part 1: Demand Management

12. System of demand management

- (1) The Accounting Officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must:-
 - (a) include timely planning and management processes to ensure that all goods and services required by the Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical dates, and re of the appropriate quality at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived;
 - (c) provide for the compilation of the required specifications to ensure that its needs are met; and
 - (d) to undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.
- (3) Benefits of Demand Management

The aims of demand management are to achieve:-

 - best value for money;
 - better risk management;
 - more efficient procurement;
 - improvements in procurement outcomes;
 - more opportunities for innovating bidding and contract management;
 - more opportunities for implementing and achieving National Government's broader policy objectives;
 - effective partnership between supply chain management practitioners and end-users.

Part 2: Acquisition Management

13. System of acquisition management

- (1) The Accounting Officer must implement a system of acquisition management to ensure:-
 - (a) that goods and services will be procured by the Municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services will be incurred in terms of the approved budget;
 - (c) that the threshold values for different procurement processes will be complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of contract, are in accordance with any applicable legislation;
 - (e) that any Treasury guidelines on acquisition management will be properly taken into account;
 - (f) unless the Municipality otherwise directs, that bids are invited in the Republic only; and
 - (g) that the laws of the Republic govern contracts arising from the acceptance of bids.
- (2) In addition to paragraph 2(3), this Policy will not apply if the Municipality contracts with another organ of state as described in paragraph 24.
- (3) The following line items are not required to be procured in terms of the supply chain management process:-
 - Audit fees;
 - Library books;
 - Telecommunication costs;
 - Reference books, newspapers and magazines;
 - Legal expenses;
 - Advertising costs;
 - Accommodation expenses and car rental for staff and councillors within the range approved by the Municipality's policy;
 - Occupational health expenses.

14. Range of Procurement processes

- (1) The procurement of goods and services will be procured as follow:-
 - (a) Petty cash purchases up to a transaction value of R100. The Chief Financial Officer or senior manager can approve petty cash purchases up to an amount of R500 per transaction in exceptional cases. Due to the discontinuation of cheques, the Municipality will not keep any petty cash. Petty cash purchases will have to be incurred by officials and reimbursed when the Municipality is paying salaries as an expense claim.;

- (b) a documented verbal quotation for purchases below R2000 which are not petty cash purchases;
- (c) 3 (three) formal written quotations where the transaction value is between R2000 to R200 000;
- (d) a competitive bidding process is required for:-
 - (i) procurement for transactions above a value of R200 000; and
 - (ii) the procurement of long-term contracts.
- (2) The Accounting Officer may in writing lower, but not increase the threshold values specified in (1) above.
- (3) Goods or services may not be split into parts or items of a lesser value to avoid complying with the requirements of this Policy.
- (4) When determining transaction values, the procurement of goods or services consisting of different parts or items must be treated and dealt with as a single transaction.

15. Duty of service provider when submitting bids or verbal and written quotations.

It is the duty of a service provider when submitting a bid, or a verbal or written quotation, to apply to be listed as an accredited service provider. If a service provider does not apply in the case of bids and written quotations, such bids or written quotations may not be considered. In the case of verbal quotations, such quotation may only be considered if the service provider complied with the information requirements of paragraph 16(5)(a) to (i) and (r).

16. Lists of accredited service providers

- (1) The Accounting Officer must:-
 - (a) keep a list of accredited service providers that must be used for the procurement requirements through written or verbal quotations and formal written price quotations;
 - (b) at least once a year through newspapers commonly circulating locally, the municipal website or any other appropriate ways, invite service providers to apply for evaluation and listing as accredited service providers; and
 - (c) disallow the listing of any service provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to delete service providers or include any additional service providers and any new commodities or types of services. Service providers will be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.
- (4) Any service provider can be removed from the list at the discretion of the Accounting Officer.
- (5) A service provider must supply the following information and documents to be listed as an accredited service provider:-
 - (a) full name of service provider;

- (b) street address. Proof of address may be required;
- (c) postal address;
- (d) e-mail address, telephone and fax number;
- (e) the preferred way of communication with the Municipality;
- (f) contact person;
- (g) identity number or registration number;
- (h) income tax reference number;
- (i) a tax clearance certificate or authorisation for the Municipality to obtain a tax clearance from the South African Revenue Service;
- (j) whether registered for VAT or not;
- (k) if registered for VAT, reference number;
- (l) type of industry/supplier of goods and services;
- (m) bank details;
- (n) registration for specialised services;
- (o) certification of exempted micro enterprises or BEE status;
- (p) names and identity numbers of all members, directors and partners;
- (q) if registered on the Central Suppliers Database and registration number;
- (r) whether he/she is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months;
- (s) if the provider is not a natural person, whether any of its directors, members (in the case of a closed corporation), partners (in the case of a partnership), managers, principal shareholders or stakeholders are in the service of the state, or have been in the service of the state in the previous 12 (twelve) months;
- (t) whether a spouse, child or parent of the service provider is in the service of the state, or has been in the service of the state in the previous 12 (twelve) months and the name/s of such person/s and capacity/capacities in which that person/s is/are in the service of the state;
- (u) whether the service provider or any of its directors have been found guilty of fraud or corruption during the past 5 years;
- (v) whether the service provider or any of its directors have wilfully neglected, reneged on or failed to comply with any government, municipal or any other public sector contract during the past 5 years;
- (w) whether the service provider or any of its directors are more than 3 months in arrear in respect of municipal rates and taxes or service charges to the Municipality, a municipal entity or any other municipality. Proof of this may be required;
- (x) the signed code of conduct for service providers attached as Annexure A to this Policy; and

- (y) any other information that may be required.

17. Petty Cash Purchases

Due to the discontinuation of cheques, the Municipality will not keep any petty cash. Petty cash purchases will have to be incurred by officials and reimbursed when the Municipality is paying salaries as an expense claim.

The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 14(1)(a) are as follows:-

- (a) petty cash transactions have to be approved by the relevant Manager after receipt of documentary proof of the expenditure where possible, or a declaration by the official who incurred the expenditure where documentary proof is not possible;
- (b) petty cash purchases are limited up to R100 per transaction. A senior manager can approve petty cash purchases up to an amount of R500 per transaction, in exceptional cases;
- (c) the petty cash fund cannot be used to:-
 - (i) purchase goods covered by annual contracts;
 - (ii) reimburse expenditure greater than R100 except if the approval in subparagraph (b) was obtained.
- (d) depending on the item purchased, one of the following is required for expenditure exceeding R100 per transaction:-
 - (i) direct payment voucher;
 - (ii) requisition book; or
 - (iii) official purchase order.
- (e) the Accountant: Expenditure is responsible for the reconciliation of petty cash and the reconciliation should be prepared and 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.

18. Verbal price quotations

The procurement of goods or services by means of a verbal quotation referred to in paragraph 14(1)(b) is as follows:-

- (a) a verbal quotation may only be obtained for a transaction of a value of not more than R2000 (two thousand rand);
- (b) quotations must be obtained from at least one service provider preferably from, but not limited to, service providers whose names appear on the list of accredited service providers of the Municipality. If quotations are obtained from

a service provider who is not listed, such service provider must supply the information as set out in paragraph 15 of this Policy; and

- (c) if a quotation was obtained verbally, the order may only be placed after written confirmation of such quotation and the required information have been received from the service provider.

19. Formal written price quotations

The procurement of goods or services through formal written price quotations referred to in paragraph 14(1)(c) is as follows:-

- (a) quotations must be obtained in writing from the different providers whose names appear on the list of accredited service providers of the Municipality;
- (b) in the case of specialised plant, machinery and vehicles, quotations may be obtained from providers who are not listed, provided that such providers supply the information as set out in paragraph 16 of this Policy;
- (c) if it is not possible to obtain at least 3 quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official(s) designated by the Chief Financial Officer. Documentary proof must be provided that quotations have been requested;
- (d) the official(s) referred in (c) above must within 3 days after the end of each month report to the Chief Financial Officer on any approvals given during that month by that official(s); and
- (e) the names of the service providers and their written quotations must be recorded.

20. Further Procedures: formal written quotations

In addition to paragraph 19, the following must also be taken into account regarding formal written price quotations:-

- (a) all transactions in excess of R30 000 that are made by means of written quotations, must be advertised for at least 7 calendar days on the website and official notice board;
- (b) where the quotations have been invited via the notice board and website of the Municipality, no additional quotations need to be obtained should the number of responses be less than 3 quotations;
- (c) when using the list of accredited service providers, the Municipality must:-
 - (i) promote ongoing competition amongst the providers, including by inviting providers to submit quotations on a rotational basis;
 - (ii) promote the objectives of the Broad-Based Black Economic Empowerment Act;
 - (iii) apply the Preferential Procurement Policy Framework Act and any applicable regulations; and
 - (iv) promote the goals as identified by Council;

- (d) the Accounting Officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused;
- (e) the Accounting Officer must on a monthly basis be notified in writing of all formal written quotations accepted by an official acting in terms of a sub-delegation;
- (f) offers below R30 000 must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (g) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (h) a proper record must be kept of the received written quotations;
- (i) the goals of Council must be taken into account before offers/quotations are awarded; and
- (j) in the case of construction works, where required a site inspection may be conducted before the close of the quotation due date to ensure that providers understand the scope of the project and that they comply with the conditions and requirements.

21. Process for competitive bidding

The stages of a competitive bidding process are as follows:-

(1) Compilation of bidding documentation

The bid documentation must in addition to the information required in paragraph 15:-

- (a) Take into account:-
 - the general conditions of contract and any special conditions of contract, if specified;
 - any Treasury guidelines on bid documentation; and
 - the requirement of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure.
- (b) include 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) require the bidders to furnish the following if the value of the transaction is expected to exceed R10 000 000:-
 - If the bidder is required by law to prepare annual financial statements, their audited annual financial statements:-
 - for the past 3 (three) years; or

- since establishment, if established during the past 3 (three) years;
 - a certificate signed by bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or the service provider in respect of which payment is overdue for more than 30 days;
 - particulars of any contracts awarded to the bidder by an organ of state during the past 5 (five) years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Municipality is expected to be transferred out of the Republic.
- (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) the preference points applicable in terms of the Preferential Procurement Regulations;
 - (g) indicate that the bidder with the lowest tender amount would not necessarily be awarded the tender;
 - (h) the sureties, guarantees, insurance, retention and penalties required and applicable as determined by the nature of the contract.

(2) Issuing of bid documents

- (a) On the date that the advertisement appears in the media, website or notice board, service providers may request copies of the tender documentation.
- (b) If a fee is payable, an official receipt must be issued before the bid document is handed to the bidder.
- (c) No bid responses from any tenderer will be accepted if sent via the internet, e-mail or fax

The Supply Chain Management Unit will facilitate all communication between service providers and the Municipality with regard to any advertised bid. Municipal staff is only allowed to communicate with potential bidders with the knowledge of the Manager: Supply Chain Management.

(3) Payment for bid documents

- (a) To ensure that only bona fide bidders collect documentation and to recover printing costs, bid documents will be issued only after payment to the Municipality of the amounts as determined by the Municipality. The amounts may differ in respect of the quantum of the contract value.
- (b) No fees will be payable if tender documents are provided electronically.

(4) Public Invitation for competitive bids

The procedure for the invitation of competitive bids referred to in paragraph 14(1)(d) is as follows:-

- (a) the invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin);
- (b) the bids submitted must be sealed and bids may only be submitted on the bid documentation provided by the municipality;
- (c) the advertisements will be placed in English;
- (d) the following information must appear in any advertisement:-
 - bid number;
 - the website where the requirements and this Policy can be read;
 - the place where the bid documents can be obtained;
 - the date, time and venue where site inspection/briefing session will be (if applicable);
 - the closure date for the submission of bids, which may not be less than 30 (thirty) days in the case of transactions over R10 000 000 (ten million rand), or which are of a long-term nature, or 14 (fourteen) days in any other case, from the date on which the advertisement is placed in a newspaper; subject to (v) below;
 - the fee applicable that must be paid before the bid documents will be issued.
- (e) the Accounting Officer may determine a closure date for the submission of bids which is less than the 30 (thirty) or 14 (fourteen) 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.

(5) Site meetings or briefing sessions

A site inspection/meeting may be conducted before the close of the bids to ensure that the bidders understand the scope of the project and that they can comply with the conditions and requirements.

If it is a requirement that prospective bidders must attend a site inspection, non-attendance will invalidate a bid. A bidder may be represented by a representative at such inspection/meeting.

(6) Handling of bids submitted in response to public invitation

(a) Closing of bids

All bids will close on 12:00 on the date as stipulated on the advertisement, which must also be reflected in the bid document.

Bids are late if they are received after the closing date and/or time.

A late bid will not be admitted for consideration and, where practical, should be returned unopened to the bidder with a comment that the bid was received too late.

(b) Opening of bids

Bids are opened in public as soon as possible after the closure in the presence of the Manager: Supply Chain Management or his/her delegate.

The official opening the bids should in each case read out the name of the bidder and the amount of the bid, if practical.

The bid should be stamped with the official stamp of the Municipality and endorsed with the signatures of the persons opening it and in whose presence it was opened.

Bids must be recorded in a register and kept on record. The register must be made available for public inspection.

Bid results must be published on the Municipal website.

(7) Validity of the bids

The validity period of a bid may not be less than 90 (ninety) days, and is calculated from the date of bid closure.

Should the validity period expire on a Saturday, Sunday or Public holiday, the bid must remain valid and open for acceptance until business closure on the following working day.

The validity period of bids may be extended at the request of the Municipality if a bidder agrees thereto.

(8) Consideration of bids

The Municipality takes all bids duly admitted into consideration.

The Municipality reserves the right not to accept the lowest or any bid received.

The decision by the Municipality regarding the award of a bid is final subject to subparagraph (10).

The Municipality may contact the bidder to enquire about any information in the bid, including obvious mistakes, in such a manner that no other bidder is prejudiced.

(9) Evaluation of bids

Service providers must comply with the requirements to be listed as a service provider set out in paragraph 16(5) as well as the following:-

- (a) compliance with the bid conditions and all requirements as determined in this Policy and the Regulations;
- (b) meeting technical specifications and functionality. A minimum threshold may be set for functionality to be considered for the award of a tender;
- (c) financial ability to execute the contract; and
- (d) price as determined in terms of the Preferential Procurement Regulations.

(10) Acceptance of bids

Service providers will be notified in writing of the acceptance of their bids subject to no rights vesting until expiry of 21 (twenty-one) days after notification. If a valid appeal has been received under section 62 of the Systems Act within 21 (twenty-one) days, then rights will only vest after the consideration of the appeal and entering into a contract.

Unsuccessful bidders must simultaneously with the successful bidder be informed of the outcome and their right of appeal in terms of the Systems Act.

Bids will not be returned to bidders, but will be retained by the Municipality.

(11) Publication of bid information

The particulars of the successful bidders will be published on the Municipality's website.

(12) Cancellation and re-invitation of bids

In the event that the preference point system is incorrectly stipulated in the bid documents, the bid invitation must at the discretion of the Accounting Officer either be cancelled or all bidders be allowed to amend their bids accordingly.

An invitation to bid and a bid may at any time before finalisation and entering into a contract be cancelled by the Municipality or the bidder

(13) Negotiations with preferred bidders

(i) It is allowed under this Policy that the Accounting Officer may negotiate the final terms of a contract with bidder or bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation:-

- Does not allow any preferred bidder a second or unfair opportunity;
- Is not to the detriment of any other bidder; and
- Does not lead to a higher price than the bid as submitted.

(ii) Minutes of such negotiations must be kept for record purposes.

(14) Two-stage bidding process

(i) A two-stage bidding process may be allowed for:-

- Large complex projects;
- Projects where it may be undesirable to prepare complete detailed technical specifications; or
- Long-term projects with a duration period exceeding 3 (three) years.

(ii) 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.

(iii) In the second stage, final technical proposals and priced bids should be invited.

22. Procurement of banking services

The procurement of banking services must be done in accordance with section 30 of the Regulations.

23. Procurement of IT related goods and services

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 in accordance with section 31 of the Regulations.

24. Procurement of goods and services under a contract secured by other organs of state

The Accounting Officer may procure goods and services under a contract secured by another organ of state in accordance with and subject to compliance with section 32 of the Regulations.

25. Procurement of goods necessitating special safety arrangements

The acquisition and storage of goods in bulk (or other than water) which necessitate special arrangements, including gasses and fuel, should be avoided wherever possible.

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.

26. Proudly SA Campaign

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:-

- (1) firstly – supplier and businesses within the Municipality or district;
- (2) secondly – suppliers and businesses within the relevant province;
- (3) thirdly – suppliers and businesses within the Republic.

27. Appointment of Consultant

When procuring consulting services, the Accounting Officer takes into account any Treasury guidelines.

In addition to any requirements prescribed by this Policy for competitive bids, bidders must furnish particulars of all consultancy services provided to an organ of state in the last 5 (five) years, specifying similar services.

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 the consultant in the course of the consultancy service, will be vested in the Municipality.

28. 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 the event of an emergency where preferably a written quotation may be obtained;

- (ii) if the required goods or services are available from a sole provider only, a written quotation is to be obtained. Documentary proof must be provided that the service provider is a sole provider;
 - (iii) in respect of repairs to motor vehicles, machinery and equipment that need to be stripped to quote, only a written quotation may be obtained;
 - (iv) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (v) for the acquisition of animals for game reserves; or
 - (iv) in other exceptional cases where it is impractical or impossible to follow the prescripts of this Policy.
- (b) ratify any minor breaches of the procurement processes which are of a technical nature by an official or committee acting in good faith in terms of delegated powers or duties.
- (2) The Accounting Officer must record the reasons for any deviations in terms of subparagraph 1(a) and 1(b) of this paragraph and report this to the Executive Mayor and the next meeting of the Council and include it as a note to the annual financial statements.

29. Unsolicited bids

- (1) The Municipality is not obliged to consider unsolicited bids received outside the normal competitive bidding process as prescribed in this Policy.
- (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 beneficial or have exceptional cost advantages for the Municipality and/or the public;
 - (c) the person who made the bid is the sole provider or the originator of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the Accounting Officer.
- (3) If the Accounting Officer decides to consider an unsolicited bid that complies with subparagraph (2), the decision must be made public in accordance with section 21A of the Municipal System Act, together with:-
 - (a) reasons 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) All written comments received pursuant to subparagraph (c), including any responses from the unsolicited bidder, must be submitted to the National Treasury and Provincial Treasury for comment. If no comments have been received by the Municipality after 45 days from submission, the matter will continue as if there are no comments.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the Accounting Officer, depending on its delegations.
- (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 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 Provincial Treasury and the National Treasury the reasons for rejecting or not following those recommendations
- (9) Such submission must be made within 7 (seven) days after the decision on the award of the unsolicited bid has been taken, but no contract committing the Municipality to the bid may be entered into or signed within 30 (thirty) days of the submission.

30. Combating of abuse of the Supply Chain Management System

- (1) The Accounting Officer must provide measures for the combating of abuse of the Supply Chain Management system as follows:-
 - (a) To take all reasonable steps to prevent such abuse;
 - (b) To 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 prima facie criminal conduct to the South African Police Service.
 - (c) To 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) To reject any bid from a bidder:-
 - (i) if any undisputed municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the Municipality or municipal entity, or to any other Municipality or municipal entity are in arrears for more than 3 months; or
 - (ii) who during the last 5 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.
- (e) To 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;
- (f) To cancel a contract awarded to a bidder 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 process or the execution of the contract that benefited that person and this was not brought to the attention of the Accounting Officer.
- (g) To 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 5 years;
 - (iii) has neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past 5 years;
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (Act No. 12 of 2004).
- (2) The Accounting Officer must inform the National Treasury and Provincial Treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this Policy.

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

31. Logistics Management

- (1) The Accounting Officer must establish and implement an effective system of logistics management, which must include the following:-

(a) **Stockholding**

Central stores will only hold stock complying with the following criteria:-

- (i) **Essential Goods-** only items which should be immediately available to maintain a municipal service, are considered essential;
- (ii) **Bulk Purchased Supplies-** items of sufficient demand, in common use and which offer a reduction in cost over direct supply, taking into account stockholding costs.

(b) **Internal Requisitions**

Where stocks are held in a central store, items must be requisitioned internally as the sole source of supply;

(c) **Stores Procedures**

Procedures must be issued by the Chief Financial Officer which must be utilised for the regulation of stock levels and movement as well as to provide adequate management information;

(d) **Warehouse Management**

(i) **Receiving of stock items**

Stock items received should be verified with the purchase order and inspected for proper quantities to ensure receipt of what was ordered. The delivery note is then signed indicating acceptance of goods received.

(ii) **Issuing of stock items**

Stock items should be issued only on the authority of a properly approved, pre-numbered requisition, signed by a designated person, which should give the following information:-

- Source and date of requisition;
- Account(s) to be charged;
- On each item: Quantity, Unit stock number, description, unit price and total Rand value.

Stock items that are issued, must immediately be recorded.

(iii) **Shelving**

Stores personnel should categorize and organise storage areas for efficient, logical and safe storage of all supplies.

(iv) **Purchase requisitions for stock items**

All purchase requisitions for stock items must have the signature of the Chief Financial Officer, or a person designated by the Chief Financial Officer, prior to acquisitions.

(v) **Expediting of orders**

If the delivery conditions reflected on the purchase order form are not complied with, it should be followed up with the supplier immediately.

(vi) **Access**

Central stores should be operated as a closed store, whereby customers are excluded from the stores area except on a specially approved or escorted basis.

(vii) **Damaged Goods**

Damaged goods from suppliers must be returned to the supplier for credit or replacement.

(e) **Stock Reviews**

In order to manage the stores operations effectively, the Manager in charge should continually review their stockholding based on information such as number of issues, levels of service achieved, total value of stock held and stock turnover.

Redundant and obsolete stock should be identified and cleared regularly.

(f) **Stock Levels**

The following should be determined to maintain the optimum stock levels:-

- Minimum, maximum and re-order levels;
- Slow moving or obsolete stock.

(g) **Annual Stock-taking Procedures**

- (i) The stock-taking must take place close to year end (30 June).
- (ii) The stock-taking must take place in the presence of the person who is in charge of the store.

- (iii) The person conducting the inventory counts all items and makes appropriate notations on the inventory sheet. At the conclusion of each section, the person who conducts the inventory count as well as the person in charge of the store, dates and signs the inventory sheet.
 - (iv) At the conclusion of all inventory sections, all discrepancies will be double-checked. The Chief Financial Officer, or a person designated by the Chief Financial Officer, will make appropriate adjustments and will approve all such adjustments to correct inventory records to actual count.
 - (v) All printouts, original documents, work papers, adjustments and corrected inventory printouts are placed on file and must be kept for audit purposes.
- (h) **Reporting**

Stores must provide a monthly report, which must include the following information:-

- (a) Total value of monthly issues;
- (b) Total value of stock purchases;
- (c) Stock on hand;
- (d) Value of stock on hand.

A report of the stock-taking at year-end must be provided to Council.

32. Disposal Management

- (1) The Municipal Council will dispose assets using the following ways:-
 - (a) Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (b) Transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (c) Selling the asset at market related price or auction; or
 - (d) Destroying the asset if obsolete.
- (2) The disposal of capital assets are dealt with in terms of the Act and the Asset Management Regulations promulgated thereunder.

33. Risk Management

- (1) The Accounting Officer should in the implementation of this Policy, develop a risk management plan in order to address the following factors:-

- (i) **Risk Identification:** Identify risks associated with the project on a case-by-case basis;
 - (ii) **Risk Assessment:** The likelihood and magnitude of the risks;
 - (iii) **Risk Mitigation:** Strategies for pre-empting and treating the occurrence of risk;
 - (iv) **Risk Allocation:** Detailing responsibility for managing a risk to the party best suited to manage such risks;
 - (v) **Acceptance of the risk:** Acceptance of the risk where it cannot be eliminated, transferred or reduced where the cost of eliminating, transferring or reducing the risk is greater than that of retaining it;
 - (vi) **Management of risks:** In a pro-active manner and the provision of adequate cover for residual risks;
 - (vii) **Monitor and Control:** Identify new risks as they emerge.
- (2) In order to reduce the risk associated with a contract, the Accounting Officer must include the provision of sureties for the due performance on a contract and retention of a portion of moneys due to a contract.
 - (3) The sureties, guarantees, insurance, retention and penalties will be determined by the nature of the contract, which is specified in the bid document.
 - (4) Service providers will be subjected to disqualification if there is sufficient evidence of consistent failure to meet the standards specified by the Municipality.
 - (5) Service providers will be evaluated based on contract adherence and performance. Upon reasonable notice in writing to the service provider involved, and after a reasonable opportunity for response, a service provider may be disqualified for a period not exceeding 5 years from participation in a bid process for goods and services. Service providers will be disqualified in the event of:-
 - (a) breach of contract indicating unwillingness to perform a contract in accordance with the terms and conditions;
 - (b) an indication of lack of business integrity or honesty which impacts on the integrity of the contractor.

34. Performance Management

The Accounting Officer must establish and implement an internal monitoring system in order to determine whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

35. Contract Management

- (1) **Service Level Agreements**

Contracts concluded for the procurement of goods and services may be made subject to the conclusion of a Service Level Agreement.

(2) Expansion or Variation of orders against the original contract

- a) The Accounting Officer must as far as possible refrain from extending/expanding contracts and/or allowing variation orders as it increases the risks, reflects possible flaws in the planning process and it creates an uncompetitive environment, possible unfairly prejudicing other possible vendors.
- b) Contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.
- c) Anything beyond the abovementioned thresholds must be reported to Council and dealt with in terms of the provision of section 116(3) of the MFMA Act 56 of 2003, which will be regarded as an amendment to the contract.

(3) Orders

Supplies should be delivered and services rendered only upon a written official order from the Municipality, and accounts should be rendered as indicated on the official order or in the contract, as the case may be.

(4) Payment for Supplies and Services

Subject to any instructions issued with a contract or order, a contractor will be paid for supplies delivered and services rendered in accordance with the under-mentioned provisions:-

- (a) On the basis of delivery into store or to another nominated destination, only after receipt of a detailed account and after delivery has been effected;
- (b) On the basis of receipt of a detailed account supported which have been certified that the goods and/or services have been provided satisfactorily;
- (c) Payment will be made in terms of Council's Cash Management and Investment Policy on receipt of all the required documentation. Should a contractor indicate a special discount on his/her account provided payment is made within a certain time, every effort should be made to take advantage of such discount;
- (d) As a rule, payment is made to the contractor only. When payment is claimed by another party payment may only be made under special circumstances and on written approval of the Chief Financial Officer.

(5) Remedies in case of death, sequestration, liquidation or judicial management

In the event of the death of a contractor or the provision or final sequestration of his/her estate or of his/her cession or transfer of a contract without the approval of the Council or of the surrender of his/her estate or of his/her reaching a compromise with his/her creditors or of the provisional or final liquidation of a contractor's company or the placing of its affairs under judicial management, the Council must, without prejudice to any other rights it may have, exercise any of the following:-

- (a) cancel the contract and accept any of the bids, which were submitted originally with that of the contractor or any offer subsequently received to complete the contract. In such a case the estate of the contractor shall not be relieved from liability for any claim which has risen or may arise against the contractor in respect of supplies not delivered or work not carried out by him/her under the contract, and the Council shall have the right to hold and retain all or any of the securities and retention moneys held by it at the date of the aforesaid occurrences until such claim has been satisfied; or
- (b) Allow the executor, trustee, liquidator or judicial manager, as the case may be, for and on behalf of and at the cost and expenses of the estate of the contractor to carry on with and complete the contract.

(6) Contractor's Liability

In the event of the contract being cancelled by the Council in the exercise of its rights, the contractor will be liable to pay to Council any losses sustained and/or additional costs or expenditure incurred as a result of such cancellation and Council will have the right to recover such losses, damages or additional costs by means of set-off from moneys due or which may become due in terms of the contract or any other contract, or from a guarantee provided for the due fulfilment of the contract and, until such time as the amount of such losses, damages or additional costs have been determined, to retain such moneys or guarantee or any deposit as security for any loss which the Council may suffer or have suffered.

The contractor must be held responsible for any consequential damages and loss sustained which may be caused by any defect, latent or otherwise, in the supply or service rendered or if the supply or service as a result of such defect, latent or otherwise, does not conform to any condition or requirement of the contract.

(7) Contractor's not performing

In the case where contractors are not performing in terms of the tender conditions or contract or are delivering a poor service, the relevant Manager must provide the Accounting Officer with a written report, together with a letter that informed the contractor as well as the response of the contractor.

(8) Management of projects

Projects should be managed properly by the relevant Manager, especially where projects are subdivided between the contractors for material, labour, etc.

Part 4: Other Matters

36. Declarations

- (1) A bidder must, in the stipulated manner, declare that: -
 - (a) the information regarding any claim from preference points provided is true and correct;
 - (b) the signatory to the bid document is duly authorized; and
 - (c) documentary proof regarding any bidding issue will, when required, be submitted to the satisfaction of the Municipality.

37. Measures to promote local suppliers and SMME's

- (1) As far as possible, quotations/tenders should be awarded to local SMME's for the following services:-
 - (a) Advertisement, media, communications;
 - (b) Internal and external cleaning services and the provision of cleaning products;
 - (c) Clothes and textiles;
 - (d) Catering services;
 - (e) Internal and external furniture and décor;
 - (f) Co-ordination and management of opportunities;
 - (g) Maintenance, repairs, construction and office space;
 - (h) Travel co-ordination and commuting services;
 - (i) Perishable food and the provision thereof; and
 - (j) Stationery stock and printing.
- (2) an advertisement must be placed in the local newspapers to inform existing and any prospective local SMME's of the services whereby they can benefit.
- (3) the following criteria, as determined in the National Small Business Act (Act No. 102 of 1996), will be used to determine if a person/enterprise/business qualify as a SMME:-
 - (a)t total full-time equivalent of paid employees: less than 5 ; and
 - (b) total annual turnover: less than R200 000; and
 - (c) total gross asset value (fixed assets excluded): less than R100 000.
- (4) if the Municipality has the capacity, assistance will be given to local SMME's who were successful bidders to execute projects.

- (5) in cases of purchases up to R50 000, a minimum acceptable bid/quotation amount be determined to ensure that local bidders can execute the project successfully, taken into account legal aspects and financial viability.
- (6) If possible (if not, clear reasons have to be documented as evidence and approved by the MM) the Municipality must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to local SMME's (situated in the Langeberg area).

38. Measures for utilising local labour

- (1) Projects must, as far as possible, be divided between materials, labour, etc.
- (2) In cases where tenders/quotations are invited for labour, it be made a condition that only labour in that specific area/town will be utilised.
- (3) In cases where it is not in the interest of Council to divide the project, it be made a condition that the contractor/tenderer must as far as possible use people for labour from that specific area/town where the project will be executed.
- (4) The Accounting Officer can approve non-compliance with paragraph (2) and (3) above if it is not in the interest of Council.

39. Penalties

- (1) Where a contract has been awarded on the strength of preference information furnished by the contractor, which, after the conclusion of the relevant contract, is proved to have been incorrect, the Municipality may, in addition to any other legal remedy it may have:-
 - (a) recover from the contractor all costs, losses or damages incurred or sustained by the Municipality as a result of the award of the contract; and/or
 - (b) cancel the contract and claim damages which the Municipality may suffer as a result of having to make less favourable arrangements; and/or
 - (c) impose on the contractor a penalty not exceeding the amount calculated in sub-paragraph (a) or 5 percent of the value of the contract.

40. Prohibition on awards to persons whose tax matters are not in order

- (1) The Municipality may not award a contract above R15 000 to a person whose tax matters has not been declared by the South African Revenue Services to be in order.
- (2) Except as set out in sub-paragraph (1), no contract may be awarded to a person who failed to submit a tax clearance certificate from the South African Revenue Services (SARS) certifying that the taxes of that person is in order or that suitable arrangements have been made with SARS.

41. Prohibition on awards to persons in the service of the state or consultants

- (1) No award must be given to a person:-
 - (a) who is in the service of the state; or
 - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (c) a person who is an advisor or consultant contracted with the Municipality.

42. Awards to close family members of persons in the service of the state

The notes to the annual financial statements must disclose particulars of any award of more than R2000 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 12 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.

43. Ethical Standards

- (1) In addition to the Code of Conduct for employees of the Municipality as contained in the Systems Act, a code of ethical standards as set out in regulation 46 of the Regulations with the aims as set out in regulation 46(1) and the content as set out in regulation 46(2) is hereby established.
- (2) Declarations in terms of regulation 46(2)(d) and (e):-
 - (a) by all officials, except the Accounting Officer, must be made to the Accounting Officer who must ensure that such declarations are recorded in a register, which the Accounting Officer must keep for this purpose;
 - (b) by the Accounting Office must be made to the Executive Mayor who must ensure that such declarations are recorded in the register referred to in sub-paragraph (a).
- (3) 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 of a role player who is not an employee, through other appropriate means in relation to the severity of the breach;
 - (c) in all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

44. Inducements, rewards, gifts and favours to Municipality, officials and other role players

- (1) No person who is a provider or prospective provider of goods or services, or a recipient of goods disposed or to be disposed of must 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 prima facie contravention of subparagraph (1) to the National Treasury for consideration 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.

45 Sponsorships

The Accounting Officer must promptly disclose to the National Treasury and the 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 and services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed.

46. Objections, complaints and appeals

Persons aggrieved by decision or actions taken in the implementation of this supply chain management system may lodge a written complaint regarding such decision or action within 14 (fourteen) days of that decision or action.

47. Resolution of disputes, objections, complaints and queries

The Accounting Officer may appoint an independent and impartial person, not directly involved in the supply chain management process, to investigate any complaint received in terms of paragraph 46. The Accounting Officer may also allow the attendance or oversight process by a neutral or independent observer appointed by the accounting officer when this is appropriate for ensuring fairness and promoting transparency.

48. 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:-

- (1) a cap on the compensation payable to the service provider; and
- (2) that such compensation must be performance based.

49. Short Title

This Policy is called the Langeberg Municipality: Supply Chain Management Policy

ANNEXURE A

CODE OF CONDUCT FOR SERVICE PROVIDERS

Langeberg Municipality is committed to observe the highest ethical standards in all its procurement activities. This Code of Conduct for Suppliers has been prepared to provide a clear summary of the Municipality's requirements from all its service providers in all procurement dealings, ensuring that all actions are lawful and that procurement ethics are followed.

The Municipality practices zero tolerance on corruption and demands no form of conflict of interests from, and honest representation of, the capabilities of service providers.

Service providers are required to familiarise themselves with the Supply Chain Management Policy (the Policy) and this Code of Conduct to ensure a successful working relationship with the Municipality.

A. Bribery, Corruption and Conflict of Interest

The Municipality requires all service providers to conduct their business in accordance with the highest legal and ethical standards. They must comply with the Prevention and Combating of Corrupt Activities Act, Act No. 12 of 2004, the Policy, this Code and all requirements to prevent bribery, corruption and unacceptable business practices. Service providers must observe the following:

1. To not, directly or indirectly, offer, give or agree or promise to give to any municipal employee or councillor, or any other person at their behest, any gratuity, whether at the request of such person or not, in respect of any aspect of the Policy, before, during or after any procurement action;

2. To immediately inform the Municipal Manager, or if the Municipal Manager is involved the Speaker, in the event of any employee or councillor soliciting, or obtaining, or attempting to obtain any gratification for himself/herself or for any other persons.
3. To note that employees and councillors have a similar duty to report any action by a service provider or on behalf of a service provider to directly or indirectly offer, give or agree or promise to give to any municipal employee or councillor or any other person, any gratuity in respect of any aspect of the Policy.
4. To truthfully complete all declarations required to be listed as a service provider. Any false declaration may lead to the removing of the service provider from the list, cancellation of any contract already entered into as well as possible criminal and civil action. If anything occurs after the declarations have been completed that affects such declarations, the service provider must immediately amend the declarations in possession of the Municipality.

B. Conduct of Service Providers

Langeberg Municipality expects all its service providers to warrant that they:

1. Will comply with the Policy and all rules, regulations and statutory requirements relating to the provision of the products/services to the Municipality;
2. Will not collude with other service providers when participating in a bid;
3. Are duly authorised or certified to provide of the products or services and shall not, expressly or impliedly, profess to be so authorised or certified;
4. Will only supply products that are compliant with the quality required by the specifications;
5. Possess the necessary capabilities, equipment and premises to perform their obligations;
6. Will not subcontract or outsource any portion of the products/services unless prior written consent from Municipality has been obtained; and
7. Will ensure and maintain the highest standards of integrity and quality of work at all times.

C. Applicability of this Code

This Code of Conduct shall apply to all service providers, their staff, sub-contractors, representatives or any other entities acting behalf of them.

D. Monitoring Compliance with this Code

To facilitate the monitoring of suppliers' compliance with this Code, the Municipality requires service providers to:

1. Develop and maintain all the necessary documentation to support compliance with the Code and standards required;
2. Consent that the Municipality may contact any person or institution where the service provider provided services or goods previously;
3. Provide the Municipality on request with access to relevant records;
4. Consent that the Municipality conduct private interviews with the service provider's employees and management when necessary;
5. Consent that the Municipality conduct announced and unannounced site visits; and
6. Respond promptly to reasonable enquiries from the Municipality in relation to the implementation of this Code of Code.

E. Secure Communication Channels

Langeberg Municipality has established a secure communication channel to enable service providers to raise their concerns confidentially and responsibly. If service providers have questions about this Code or wishes to report any questionable behaviour or possible violation of this Code, the service provider is encouraged to contact the Municipal Manager or a person authorised by him/her at:

Address: 28 Main Road, Ashton, 6715.
Telephone: 023 615 8000
E-mail: aeverson@langeberg.gov.za

The Municipality will not tolerate any retribution or retaliation by anyone against a service provider who has, in good faith, sought advice or has reported questionable behaviour and/or a possible violation. The Municipality will take disciplinary action against an employee or a councillor anyone who threatens or engages in retaliation, retribution or harassment of the service provider. Identities and contents of all information or complaints will be dealt with as confidential, but complainants must be prepared to testify or provide written complaints when required to do that.

F. Sanctions

Breach of the Code may result in actions being taken against that service providers, in addition to any contractual or legal remedies. The actions applied will depend on the nature and seriousness of the breach and on the degree of commitment shown by the service provider to resolve any issues stemming from the breach. The range of actions to be imposed include but are not restricted to the following:

- Formal written warnings;
- Required disclosure of nature of breach in terms of the Policy;
- Immediate termination of contract;
- Criminal and/or civil action.

Acknowledgement and Acceptance (to be submitted together with application for listing as provider of goods and services)

This is to certify that I have fully read the Service Provider's Code of Conduct and the Supply Chain Management Policy. I hereby commit myself/my company to comply with the Code of Conduct. I am authorised to sign this document.

Service Provider: _____

Address: _____

Representative: _____

Signature: _____

Date: _____

RATES POLICY 2021/2022



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Part 1

1. Objective

In developing and adopting this rates policy, the council has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, namely that:

- the Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
- there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfil its developmental responsibilities;
- revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and
- it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.

In applying its rates policy, the council shall adhere to all the requirements of the Property Rates Act no. 6 of 2004 including any regulations promulgated in terms of that Act.

2. Definitions

In this policy, unless inconsistent with the context,

“Agricultural property” means property that is used primarily for agricultural purposes but, without derogating from section 9 of the Act, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game.

“public service infrastructure” means the following:

- (a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming a part of a water or sewer scheme serving the public;

- (c) Railway lines forming part of a national railway system.
- (d) Runways, aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for air navigation purposes;
- (e) Breakwaters, seawalls, channels, basins, quay walls, jetties, roads. Railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels.

“rates” means a municipal rate on property envisaged in section 229(1)(a) of the Constitution;

“ratio” in relation to section 19 of the Act, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category.

“the act” means the act on Local Government: Municipal Property Rates Act, Act No 6 of 2004;

“the Council” means the municipal Council of the Langeberg Municipality and has all other words the meaning assigned thereto by the Act

Part 2

Imposition of Rates

1. Rates

The Council shall in terms of the Act and this policy impose a rate in the rand on all rateable property within its area of jurisdiction for each financial year as recorded in the municipality’s valuation roll and any supplementary valuation roll.

Rateable property shall include any rights registered against such property with the exception of a mortgage bond.

The council pledges itself to limit each annual increase as far as practicable to the increase in the consumer price index over a period preceding the financial year to which the increase relates, except when the approved integrated development plan of the municipality provides for a greater increase.

The council shall, in imposing the rate for each financial year, take proper cognisance of the aggregate burden of rates and services charges on representative property owners, in the various categories of property ownership, and to the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region.

The council shall further, in imposing the rate for each financial year, strive to ensure that the aggregate budgeted revenues from property rates, less revenues forgone and less any contributions to the provision for bad debts, equal at least 25% of the municipality's aggregate budgeted net revenues for the financial year concerned. By doing so, the municipality will ensure that its revenue base and the collectability of its revenues remain sound.

Liability for the payment of Rates

- (1) The registered owner of a property is liable for the payment of rates levied in terms of section 24 of the Act on that property.
- (2) Rates may, subject to the provisions of sections 28 and 29 of the Act, be recovered from tenants, occupiers and agents of the owner.

Rates due on a supplementary Valuation Roll

In the event property been transferred to a new owner and the rates on a supplementary valuation roll becomes payable after the transfer the previous owner and the new owner will jointly and separately be held responsible for the payment for the rates.

2. Special Rating Areas

The Council may subject to the compliance with the provisions of section 22 of the Act determine an area within the municipal area as a special rating area and levy an additional rate in that area to upgrade or improve that area. The funds generated by the special rate in a special rating area shall only be utilised in that area and only for the intended upgrading or improvement of that area.

3. Ration between Rates on Residential and Non-residential Properties/Agricultural Properties

The ratio between rates on residential and non-residential property may not exceed the ratio prescribed by the Minister of Provincial and Local Government. The present ratio is 1 : 1. The ratio between rates on residential and agricultural property may not exceed the ratio as indicated in the Regulations on the Rate Ratios. The ratio is 1 : 0.25.

4. Method of assessing Rates

Rates imposed by the Council shall be assessed on the valuation of rateable property appearing on the valuation roll in operation in the municipal area on the date on which such rates become due and payable.

5. Adjustment of Rates

If rates assessed on the valuation of rateable property and such valuation is thereafter altered in terms of section 55(1) of the Act, the council shall adjust the assessment of such rates and shall refund any amount over collected and shall levy any amount under collected.

If immovable property becomes exempt from rating during a financial year, council shall make a pro-rata refund in respect of the unexpired portion of such financial year. If exempted property becomes rateable during a financial year, the council shall levy rates pro-rata in respect of the unexpired portion of such financial year.

6. Supplementary Valuation Rolls

Rates on supplementary valuation rolls shall be levied as prescribed in section 78(4) of the Act.

All property improvements must be included for the supplementary valuation from the date the building plan is approved.

7. Accounts to be Furnished

The Council shall levy and recover property rates on monthly basis or annually as may be agreed with the owner of the property.

The Council shall annually during July furnish each registered owner of rateable property as it appears in the valuation roll with a rates account. In respect of supplementary valuations, rates accounts will be furnished to the affected owners as from the effective date.

In the case of agricultural property that is owned by more than one owner in undivided shares, Council shall furnish any one of the owners with a rates account and hold him/her liable for payment of the rates on the property.

8. Properties used for multiple purposes

A rate levied on a property used for multiple purposes must be determined by apportioning the market value of the property to the different purposes for which the property is used and applying the rates applicable to the categories determined by the municipality for properties used for those purposes.

Part 3

3.1 **Exemptions, Rebates and Reductions on Rates**

In determining the annual rate, the council shall grant the following exemptions, rebates and reductions to the categories of properties and categories of owners as indicated below. Council

reserves the right to reconsider the exemptions, rebates and reductions annually and adjust as necessary.

The council will take the actual use of the property into consideration before placing it in a particular category. In the case of vacant land the original land determination will be applied.

In terms of section 17(1)(h) of the Act, the first R150 000 of the valuation of a residential property is exempted from rates.

• Property used for bona-fide agriculture purposes	0%
• Small holdings used for bona-fide agriculture purposes	0%
• Property used for bona-fide agriculture purposes where the owner/tenant supply free basic services to farm workers	0%
• Property zoned as agriculture which is not used for agriculture purposes	50%
• State-owned property: residential	0%
• State-owned property: public infrastructure	75%
• Other state property	85%
• Municipal property used for municipal purpose;	100%
• Municipal property not used for municipal purpose;	0%
• State owned property: Schools	0%
• State trust land	0%
• Protected areas	0%
• Properties on which national monuments are situated and used for residential purposes only	0%
• Properties on which national monuments are situated and used for business and commercial purposes	0%
• Properties owned by benevolent organisations and used to further the objectives of such organisations	0%
• Properties owned by a land reform beneficiary or his/her heirs for the first ten years as from date of the first registration of the title deed in the Deeds Office	100%
• Property registered in the name of a religious body or organisation and primarily used as a place of worship including the official dwelling of a minister or employee of that organisation who officiates at services.	100%
• Property registered in the name of a private school which is registered in terms of an act.	0%
• Property situated in the rural area which is zoned as non-agriculture	30%
• Property registered in the name of a charitable organisation and/or church that house the poor	100%

Property in the rural area that are used for a hall, on condition that the halls have a separate title deed and are owned by a non-profit organization.	100%
Property owned by a sportclub, on condition that these properties of the sporting codes have a separate title deed and are owned by the sporting body.	100%

Where one component of properties used for multiple purposes on average represents 70% or more of the property's actual use, such property shall be rated as though it were used for that purpose only.

The following categories of owners of residential properties shall additionally receive the following rebates on rates due in respect of such properties after deducting the rebate applicable to residential properties.

Registered indigents who are the sole owners of the property concerned and occupy the property permanently	0% - the first R 150 000 of the valuation are exempted from rates
Property owners who are over 60 years of age with a monthly household income of less than R3 500 who own one property and occupy it permanently	60% rebate on rates – Annually
Property owners who are over 60 years of age with a monthly household income of less than R4 000 but higher than R3 500 who own one property and occupy it permanently	50% rebate on rates – Annually
Property owners who are over 60 years of age with a monthly household income of less than R5000 but higher than R4 000 who own one property and occupy it permanently	40% rebate on rates – Annually

The council grants the above rebates in recognition of the following factors:

- The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods or services which they produce.
- The need to accommodate indigents and less affluent pensioners.
- The services provided to the community by public service organisations.

- The value of agricultural activities to the local economy coupled with the limited municipal services extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.
- The need to preserve the cultural heritage of the local community.
- The need to encourage the expansion of public service infrastructure.
- The indispensable contribution which property developers (especially in regard to commercial and industrial property development) make towards local economic development, and the continuing need to encourage such development.
- The requirements of the Property Rates Act no 6 of 2004.

The municipal manager shall ensure that the revenues forfeited in respect of the foregoing rebates are appropriately disclosed in each annual operating budget component and in the annual financial statements and annual report, and that such rebates are also clearly indicated on the rates accounts submitted to each property owner.

3.2 Application for exemption and rebates

- (1) Owners of property qualifying for exemptions and rebates, excluding exemptions and rates prescribed by the Act, must apply annually on the prescribed form before 31 May for exemptions and rebates on rates for the medium term of three years.
- (2) All applications for exemptions or rebates on rates must be considered by the Chief Financial Officer or his nominee who must approve or reject it.
- (3) If an application is rejected, reasons for the rejection must be provided to the applicant.

Part 4

Date on which rates become due and payable

Rates will be levied annually during July and are payable in twelve equal instalments. The monthly instalment will appear on the monthly consolidated account and is payable on or before the 7th of each month or if the 7th is not a business day, the business day immediately following the 7th.

Owners or accountholders can apply on/before 1 July every year to pay their rates on an annual basis and the yearly rates are payable on/before 7 October every year, where-after interest will be charged.

Part 5

Correction of errors and omissions

Where rates levied on a particular property have been incorrectly determined whether because of:

- a) An error or omission on the part of the municipality; or

- b) False information provided by the owner of the property; or
- c) Property used in contravention of the zoning regulations.

The rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll. Where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

Part 6

Frequency of Valuations

The municipality shall prepare a new valuation roll for up to five years and supplementary valuation rolls at least annually.

Part 7

Annexure: Legal Requirements

This policy must be read with the Act on Local Government: Municipal Property Rates, Act 6 of 2004 and the Regulations which may be promulgated in terms of the Act. A paraphrase – and in some instances an abridgement – of the key requirements of the Local Government: Property Rates Act no 6 of 2004 is attached as an annexure to this policy.

Part 8

Repeal and Commencement

1. Repeal of Policy

The chapter of the Council's tariff policy dealing with rates is repealed with effect from the date on which this policy comes into operation.

2. Commencement

This policy takes effect on the date on which the first valuation roll compiled in terms of the act takes effect.



LIQUIDITY POLICY



Approved by Council on _____

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1. INTRODUCTION

The documented Liquidity Policy sets out the minimum risk management measures that Langeberg Municipality has to implement and adhere to in order to ensure that its current and future liquidity position is managed in a prudent manner.

Liquidity is the amount of cash and / or “near cash” (which refers to assets or security that can easily and quickly be converted to cash), available to be utilized to meet obligations and / or pay commitments. The marketability or ability to buy or sell an asset without incurring unacceptable large losses thus determines the liquidity of an asset or defines it as near cash.

This Policy is implemented to provide guidance on the minimum liquidity level that Langeberg Municipality has to maintain in order to comply with required legislative and / or National Treasury directives and within the overall financial management objectives as approved/reviewed by the Council from time to time.

2. BACKGROUND AND APPROACH

Various policies and procedures exist that direct the way in which the business of Langeberg Municipality is or should be conducted in a prudent manner. Generally these policies and procedures flow from the prescription made in Legislation i.e. the Municipal Finance Management Act (“MFMA”) and/or directives issued by a national department such as National Treasury.

Guidelines provided by National Treasury indicate that an acceptable level of cash resources needs to be available for working capital requirements (see below).

It is for this reason that the need to have an official Liquidity Policy was identified.

3. LEGISLATIVE REQUIREMENTS

- 3.1. The MFMA circular 71 stipulates the following two prescribed ratios to manage liquidity:

Cash/Cost Coverage Ratio (Excluding Unspent Conditional Grants) is calculated as:

((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)

Criteria: 1 – 3 times

Current Ratio Current Assets / Current Liabilities

Criteria: 1.5 - 2:1

The above guidelines are noted but the proposed policy is more conservative to ensure that the municipality secures its strong financial position thereby providing comfort to investors.

4. LIQUIDITY POLICY

This policy provides guidance on the determination of the minimum liquidity requirement and the calculation of the liquidity available of Langeberg Municipality from time to time (see **Annexure 1**).

Notwithstanding the requirements as reflected in this policy, Langeberg Municipality should ensure that its Current Assets (excluding debtors older than 90 days) cover all of its Current Liabilities at least two times.

The policy encapsulates certain key aspects and considerations which have been outlined below:

4.1. KEY COMPONENTS OF MINIMUM LIQUIDITY REQUIRED:

The following constitutes the key elements to take into consideration when determining the liquidity requirement of Langeberg Municipality:

4.1.1. To comply with statutory requirements it is proposed that the following funds, reserves and provisions be fully covered by unencumbered cash and investments:

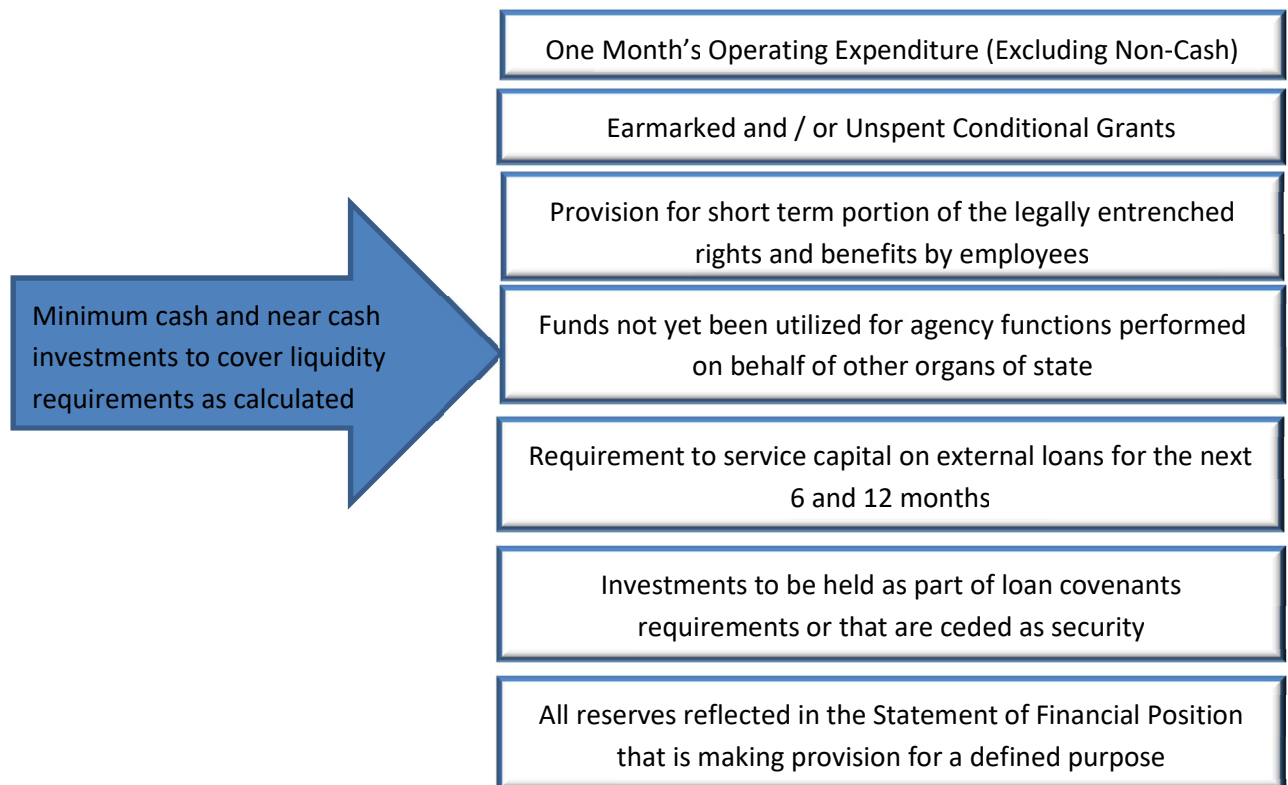
- 4.1.1.1. All earmarked or conditional grant transfers from spheres of Government or from Public Contributions made to Langeberg Municipality that have not yet been utilized;*
- 4.1.1.2. All commitments resulting from the legally entrenched rights and benefits employees have, with specific reference to the Council's short term commitment to staff retirement benefits and medical fund claims payable;*
- 4.1.1.3. All funds not yet been utilized in relation to agency services provided on behalf of Provincial or National Government should also be treated as earmarked funds;*
- 4.1.1.4. All reserves stated by Langeberg Municipality on its Statement of Financial Position that have been established for the purposes of making provisions for a defined purpose.*
- 4.1.2. Cognisance also needs to be taken of the external loan commitments and the servicing of capital and interest on these loans. Therefore provision should be made that Langeberg Municipality can meet its external loan/financial commitments together with the normal operational expenditure, as well as its liabilities to staff.
- 4.1.3. All investments ceded as security against long term loans need to be excluded from total cash and investment balances for calculation of the minimum liquidity level required.
- 4.1.4. In addition, a level of cash available for normal operational expenditure needs to be held in cash to ensure that, notwithstanding fluctuations in the monthly income levels of the municipality, Langeberg Municipality will be in a position to meet its financial requirements. In this respect, the average monthly operational expenditure needs to be used as a guide of the minimum buffer required. Two month's operational expenditure excluding debt impairments, depreciation and other non-cash expenses should be available for liquidity cover.
- 4.1.5. The "golden rule" should be to ensure that Langeberg Municipality will have adequate liquid assets (those that can be made into cash within 24 hours, weekly or monthly as the requirement might be) to meet its short term financial commitments.

4.2. CALCULATION OF AVAILABLE LIQUIDITY

The amount of liquidity available should be determined from time-to-time. The following, should be regarded as cash and or near cash in calculating the available liquidity:

- 4.2.1. *All cash held in a bank account or invested with a money market fund;*
- 4.2.2. *95% of the value of all NCD's or other tradable instruments issued by a bank that are not already ceded;*
- 4.2.3. *90% of the market value of all listed bonds on the JSE in which Langeberg Municipality is allowed to invest in;*
- 4.2.4. *Consumer debtors aged current to 60 days;*
- 4.2.5. *Amount of unspent conditional grants and public contributions excluded from own funds held in bank accounts;*
- 4.2.6. *Funds provided to Council for expenditure on activities executed on behalf of other spheres of Government (Provincial and / or National) as part of an agency function, excluded from own funds held in bank accounts;*
- 4.2.7. *Funds ring-fenced for cash backed reserves that are excluded from own funds held in bank accounts;*
- 4.2.8. *Cash amounts that need to be held by Council resulting from loan covenants' that are part of the conditions of loans extended, but not ceded outright to lenders;*
- 4.2.9. *The undrawn portion of unconditional bank overdraft facility or liquidity facility available to Langeberg Municipality.*

The aforementioned in paragraphs 4.1. and 4.2. can schematically be



reflected as follows:

4.3. IMPLEMENTATION AND MONITORING OF COMPLIANCE WITH LIQUIDITY POLICY:

Once the policy is approved, the CFO is to be tasked to ensure that the required cash has to be maintained to continue meeting the requirements as set out in this policy.

Firstly, the minimum required liquidity level should be calculated based on audited annual financial statements. This level of liquidity required needs to be specifically budgeted for and on a quarterly basis be reported to the Finance Committee and / or other Committees as might be stipulated by Council as well as to Council.

Notwithstanding National Treasury's three months operational expenditure guideline and the one month operational expenditure buffer proposed as a minimum by the liquidity policy, it is recommended that Council set a target of one month's operational expenditure liquidity

buffer to be achieved at the end of the transitional period (reference paragraph 6). The cash provisions made to repay external loan commitments, if specifically earmarked, should also be added to this minimum working capital liquidity, to prevent fluctuations in the working capital reserve that could put the minimum level of liquidity levels under pressure.

5. CORPORATE GOVERNANCE (OVERSIGHT)

The minimum liquidity requirements must be determined, at least, on a monthly basis by the Chief Financial Officer and reported to the Municipal Manager.

Compliance with this policy will be monitored by the Chief Financial Officer. The Chief Financial Officer must present the liquidity compliance reports to the Finance Committee and the Audit Committee of the municipality.

Where compliance has been breached the Chief Financial Officer must present an action plan to correct the non-compliance. The Finance Committee must monitor the successful implementation of the corrective action plans and report progress to Council.

6. POLICY MANAGEMENT

The Liquidity Policy forms part of Langeberg Municipality overall financial objectives and therefore forms part of approved Budget Policies. The policy must be reviewed at least annually during the budget revision and presented to Council for approval.

The policy is effective from the date it is approved by Council.

ANNEXURE 1

Liquidity Requirement as per Liquidity Policy

Financial Year End: _____

Liquidity Requirement Calculation [as stipulated in Paragraph 4.1.]

All earmarked and/or conditional grants received but not yet utilised	
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Value of legally entrenched short term rights and benefits of employees related to Medical benefits & Retirement benefits	
Unspent Loan Funds	
Funds held for agency services not yet performed	
Reserve funds reflected in Statement of Financial Position that are assumed to be held in cash	
Capital redemption and interest payments on external loans not reflected as part of normal operational expenditure	
1 months operational expenditure excluding non-cash items	
Commitments resulting from contracts concluded as part of Capex Programme, not reflected in operational budget	

TOTAL LIQUIDITY REQUIREMENT

Actual available liquidity held [reference paragraph 4.2.]

Bank Balance at e.g.: - ABSA, FNB, Standard Bank, Nedbank, Investec, Money Market	
Bank balance sub total	
95% of all other term investments with Banks	
90% of Market value of all Bonds on the JSE that are held	
Consumer debtors (current – 60 days)	
Other reserves held in cash not reflected in bank balances mentioned above for e.g.:	
- Unspent conditional grants	
- Payments received for agency functions not yet performed	
- The cash value of reserves held	
- Cash deposits held as part of loan covenants or ceded	
- Undrawn bank overdraft facility or committed liquidity lines available	

LIQUIDITY SURPLUS (SHORT FALL)

SURPLUS TO BE APPROPRIATED TO CAPITAL REPLACEMENT RESERVE

TOTAL LIQUIDITY AVAILABLE

(See Borrowing, Funds and Reserves Policy)

Liquidity ratio:

Current Asset/Current Liabilities



CREDIT CONTROL AND DEBT COLLECTION POLICY



CREDIT CONTROL & DEBT COLLECTION POLICY 2021/2022

The policy has been formulated in terms of the provision of section 96(b) of the Local Government:
Municipal Systems Act, 32 of 2000

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Chapter 1: General

1. Definitions

(1) In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Langeberg Municipality: Credit Control and Debt Collection By-Law Has the same meaning and

“3rd party debt collection agencies” means any person or juristic person that collects debt on behalf of the Municipality;

“Administration of Estates Act” means the Administration of Estates Act, 66 of 1965:

“advance collection” means any estimated amount that will be collected as a security for any debt, inclusive of any estimated tenant debt, that may accumulate gains from the property for a period up to 120 days from the date of issuing a section 118 certificate in terms of the Systems Act;

“backyard dwellers” means household on council rental stock property within a given area and registered as being backyard dwellers as determined by Council

“child-headed household” means a household where all occupants of a residential property are younger than 18 years old. A child-headed household is a household only consisting of children;

“conversion of balances of old dormant accounts” means accounts carried forward from previous municipalities which now form part of Langeberg Municipality on which no further transactions, other than interest, if any, have been recorded;

“credit meter” means meter where account is issued subsequent to the consumption of a metered service;

“dispute” means a dispute as referred to in section 102 (2) of the System Act as read with item 7 of this policy

“Finance Management Act” means the Local Government: Municipal Finance Management Act 56 of 2003;

“household income” means total gross income of both debtor and debtors spouse or partner and the gross income of any other person living in the property;

“income” means the gross monthly household income of both the owner and the spouse and partner from all sources including but not limited to salaries, wages, dividends, pension, grants, rentals, board and lodging, interest received and investment income;

“indigent relief” means applicable indigent relief as determined by Council from time to time;

“insolvency Act” means insolvency Act, No. 24 of 1963

“meter” means any device which measures any demand or quantity of either electricity energy or water passing through such meter as further defined in the Tariff Policy or any other by-law or policy of Langeberg Municipality;

“municipal valuation” means the value of the property as determined in terms of the Property Rates Act;

“non-residential debtors” means any debtor who is not a residential debtor;

“prepayment meter” means any meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit or a pre-purchased amount of water through a water meter;

“prepayment electric meter” means a meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit;

“prepayment water meter” means any meter that can be programmed to allow the flow of pre-purchased amount of water to be supplied through a water meter;

“property” means-

- (a) Immovable property registered in the name of a person, and includes a unit as defined in section 1 of the Sectional Titles Act, 1986(Act No. 95 of 1986); or
- (b) A right registered against immovable property in the name of person;

“Property Rates Act” means Local Government: Municipal Property Rates Act, 6 of 2004;

“query” and **“verify”** means any query which is not defined as a dispute

“rate” or **“rates”** means a municipal rate defined in section 1 of the Property Rates Act and includes any additional rates on property as envisaged in section 19 (1) (d) and section 22 of the Property Rated Act;

“Rates Policy” means the Langeberg Municipality: Rates Policy

“residential debtors” means debtors as defined in this policy who utilise property for residential purposes and who may qualify for and who may receive free electricity or a rates rebate, as determined by Council from time to time;

“residential property” means residential as defined in the Rates Policy;

“sundry” means any sundry debt raised on a municipal account;

“Supply Chain Management Policy” means the Langeberg Municipality: Supply Chain Management Policy;

“Tariff Policy” means the Langeberg Municipality: Tariff Policy;

“this policy” includes the Langeberg Municipality: Credit Control and Debt Collection By – law;

“verify” see the definition of “query” ; and

“water management device” means a water management device as defined in the Tariff Policy or any other by-law or policy of the Langeberg Municipality.

2. Object

(1) The object of the policy is to

- (a) focus on all outstanding debts as raised on the debtors account
- (b) provide for a common credit control and debt collection policy
- (c) promote a culture of good payment habits amongst debtors and instil a sense of responsibility towards the payment accounts and reducing municipal debt;
- (d) subject to the principles provided for in this policy, use innovative, cost effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process; and
- (e) effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy

3. Implementing Authority

(1) Section 100 of the Municipal Systems Act provides as follows

The Municipal Manager or service provider must-

- a) implement and enforce the municipality's credit control and debt collection policy and any by-laws enacted in terms of Section 98
- b) in accordance with the credit control and debt collection policy and any such by-laws, establish effective administrative mechanism, processes and procedures to collect money that is due to the municipality; and
- c) at such intervals as may be determined by the council, report the prescribed particulars to a meeting of the supervising authority referred to in Section 99.

The above makes it clear that the Municipal Manager and his administration have the role of implementing and enforcing the policy made by the supervising authority.

4. Principles and guidelines

(1) This policy takes into account the following principles and guidelines:

- a) human dignity must be upheld at all times
- b) this policy must be implemented in accordance with equity, fairness and consistency
- c) every reasonable effort should be made to ensure that details related to the debt and the account of the debtor are correct at all times
- d) the Municipal Manager may treat any debt, and arrangements to repay arrears holistically, but different repayment period or methods may be determined for different types of service, debtors or areas within the general rule that the repayment should take into consideration the financial capacity of the debtor
- e) the implementation of this policy is based on sound business practice and any other applicable legislation including but not limited to the Electronic Communication and Transaction Act No 25 of 2002
- f) new applications for services will be subject to prescribed credit information and outstanding amounts may be transferred to the new account. All information furnished on the application form may be verified by the Municipality with any or all data information institutions, credit information bureaux and any financial institution as may be deemed necessary by the Municipality in determining the applicant's credit worthiness. The Municipality reserves its right to share bad payment behaviour in a responsible manner with the aforesaid institutions, should it become necessary to do so, as determined from time to time;
- g) where alternatives are available the Municipality may provide reduced levels of service to manage the debt growth;
- h) debtors may be referred to 3rd party debt collection agencies and may be placed on the National Credit Rating List;
- i) if any account is not paid by the due date, interest will be raised on capital based on a full month and part of a month must be deemed to be a full month;
- j) for purposes of an arrangement a debtor may be required to co-operate with any reasonable measures that might be required to reduce their level of use of consumable services to affordable levels;
- k) the terms and conditions contained in any prescribed form or document utilised in implementing this policy, forms part of this policy and incorporated therein as specifically stated;
- l) the suspension of any debt management action, when interrupted for whatever reason, shall, where practical, continue from the previous action taken;
- m) service of documents and process may be in accordance with section 115 of the Systems Act

- n) all legal costs, including attorney-and-own-client costs incurred in the recovery of arrears, shall be levied against the debtors account
- o) where a company, closed corporation, trust in terms of the Trust Property Control Act No. 57 of 1988, home owners association or a body corporate in terms of the Sectional Titles Act, Act No. 95 of 1986, is indebted to this Municipality, the liability for such arrears may be extended to the directors, members or trustees thereof jointly and severally; and
 - (i) the directors, members or trustees thereof shall be considered to have provided this Municipality with a guarantee that such debt shall be recoverable from themselves in their personal capacity with each being jointly and severally liable for such debt, the one paying the other to be absolved
- p) where any subsidiary company is indebted to this Municipality, the liability for such arrears may be extended to the holding company; and
 - (i) where any holding company is indebted to this Municipality, the liability for such arrears may be extended to any subsidiary company;
- q) notwithstanding anything contained in this policy the Municipal Manager may recover any debt incurred at a property as set out in section 118 (3) of the Systems Act, from the owner of that property; and
- r) any reference to any rand value or measured quantity as reflected in this policy may be determined or amended by Council from time to time
- s) In the event of this Municipality expropriating immovable property;
 - (i) for owners who do not co-operate with the Municipality, the proceeds of the sale of the property, if any, will be deposited into their Municipal account;
 - (ii) for the property owners who are not clients of this Municipality, the proceeds of the sale, if any, will be paid into a sundry account, until such amount is claimed by such owner;
 - (iii) no interest will be paid to such owners referred to in sub-item (1) (s) (i) and (ii) unless permitted in terms of any other legislation, policy or as determined by Council from time to time; and
 - (iv) all the proceeds will be further subject to all the conditions contained in this policy.

Misrepresentation

(2) Debtors found to have misrepresented themselves in order to benefit from any of the Municipality's relief or any benefit will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and all relief or any benefits that have been received, will be reversed by the Municipal Manager.

5. Employee deductions

Whenever an agreement in terms of the Langeberg Municipality: Credit Control and Debt Collection By- Law, is concluded with an employer the Municipality may pay a commission to the employer, the amount of which will be determined from time to time.

6. Councillor and municipal staff arrears

- 1) All new appointees both Council and Staff that are indebted to the municipality must enter into an agreement with the municipality for the payment of the arrear account via automatic salary deductions, informed by the requirements of this policy
- 2) Staff arrears will be dealt with in terms of item 10 Schedule 2 of the Systems Act, and in terms of any procedures, methods or actions referred to in this policy. Notwithstanding any other procedures, methods or actions that may be taken in terms of this policy, the Municipal Manager shall deduct any

outstanding amount from such staff members' salary or remuneration after the 3 (three) month period referred to in item 10 Schedule 2 to the Systems Act, has elapsed; or

- a) notwithstanding sub-item 5 (1) the Municipal Manager shall deduct any outstanding amount from such staff members remuneration after a period of not less than 2 (two) months from the due date thereof.
- 3) In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for the municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the Municipality. Notwithstanding any other procedures, methods or actions that may be taken in terms of this policy, the Municipal Manager shall deduct any outstanding amount from such Councillors remuneration after this 3 (three) month period has elapsed: or
 - a) Notwithstanding sub-item 5 (2) the Municipal Manager shall deduct any outstanding amount from such Councillors remuneration after a period of not more than 2(two) months from the due date thereof.
- 4) At the sole discretion of the Municipal Manager and after complying with the sub-item (1) and (2), deduct any amount owing to this Municipality by any Councillor or staff member from such Councillors or staff members remuneration or salary.

7. Credit control

- 1) All new applications for the provision of a service may be subject to the payment of a deposit based on the applicants municipal payment record with a minimum deposit as per the tariff; or
 - a) *the Municipal Manager may waive the requirements for a deposit where a prepayment water meter, prepayment electricity meter or water management device has been installed; or*
 - b) *at any other time as determined by the Municipal Manager*
- 2) Any adjustments to the basic deposit will be determined by the debtor's municipal payment record.
- 3) The applicant may be required to undergo a full credit check in an endeavour to trace all debt inclusive of municipal debt owed by the applicant. This will require the provision of, inter alia, acceptable means of identification and if applicable, the binding lease agreement, title deed and other relevant supporting documentation as required by the Municipality from time to time. The relevant application form as approved by the Municipality from time to time forms an integral part of this policy insofar as the contents of such application form are not in conflict with any of the provisions of this policy.
- 4) As from 1 July 2019 Council will only enter into agreements with registered owner(s) or beneficiaries of the property, unless documentation can be provided to the municipality indicating that the owners cannot be located and that the occupier of the property will be responsible for the account (such documentation must be accompanied by a signed affidavit).
- 5) All existing agreements with the tenants will be maintained, if the tenants do not honour the account Council reserve the rights to transfer the services to the owner
- 6) Council reserves the right to sign agreements with tenants at its own discretion
- 7) No service connection will be made on the property with the outstanding debt,
- 8) No new water, electricity and sewerage connection will be made without the approved building plan
- 9) No one may be allowed to hire or make use of the municipal facilities' if his/her municipal account is in default
- 10) The pre-paid electricity meter will be encouraged for all new connections
- 11) Applications for services for business, including but not limited to, companies, close corporations, partnerships, sole proprietors and government institutions should be approved subject to the provisions of sub-items (1) to (3) above. **The application must include the submission of a resolution**

delegating authority to the applicant and furnishing, if applicable, the business entity's registration number or Trust Reference Number with the Master of the High Court. The names, addresses and all relevant contact particulars of all the business's directors, members, trustees, proprietors or partners must be submitted with the resolution. The relevant application form as approved by the Municipality from time to time forms an integral part of this policy insofar as the contents of such application form are not in conflict with any of the provisions of this policy.

- 12) The Municipality shall not conduct any business activity with or provide any services to any persons who is in arrears with municipal accounts except as provided for in legislation or policy and as determined by the Municipality from time to time, nor will any refunds of credits be made to any debtor or any debtors nominee who is in arrears with their Municipal account.
- 13) Contract guarantees
 - a) Introduction in terms of the Supply Chain Management Policy, compiled in terms of section 111 of the Finance Management Act, financial guarantees may be required on behalf of contractors to secure certain performance and advance payment obligations of contractor.
 - b) The Municipal manager may accept a contract guarantee from a registered bank or insurance company having one of the following ratings from the credit rating agencies indicated
 - i) Banks: a short term rating of F1 (Fitch ratings), A1 (Global Credit rating Co.) or Prime-1 (Moody's).
 - ii) Insurers: a claim paying ability rating of A- or above from Global Credit Rating, or A3 or above from Moody's.
 - c) A 100% cash deposit may be accepted as a contract guarantee in lieu of paper guarantee;
 - i) no interest will be payable with the deposit held by the Municipality.
 - d) The Municipal Manager may add or delete, temporarily or permanently, the name of the financial institution to or from the list approved guarantee providers, notwithstanding the absence or presence of an acceptance credit rating, if he or she is satisfied or unsatisfied as to its credit worthiness in a particular instance.
 - e) A guarantee shall exclude a suretyship
- 14) Service guarantees
 - a) Introduction In terms of this policy, deposits should be made by way of cash payments. Council however recognises that for large and very large electricity users guarantees may be accepted in place of cash deposits.
 - b) The municipal manager may accept a service guarantee as provided for in this sub-item.
 - c) Sub-item (6), (b) to (e) read with the necessary changes as the context may require, apply to the conditions of service guarantees.
- 15) Rental guarantees
 - a) The Municipal Manager may accept a guarantee for deposits in terms of lease agreements as provided for in this sub-item.
 - b) Sub-item (6), (b) to (e) read with the necessary changes as the context may require, apply to the conditions of rental guarantees.
- 16) Guarantees against potential damages
 - a) The Municipal Manager may accept a guarantee against potential damages to the Municipality for any reason.
 - b) Sub-item (6), (b) to (e) read with the necessary changes as the context may require, apply to guarantees against potential damages.
- 17) The Municipal Manager may reverse any benefit received should a debtor fall into arrears after receiving such benefit.
- 18) The Municipal manager has a right to conduct a full credit check on any person who is or who will become subject to this policy or any other policy of this Municipality.

8. Query, verify or dispute

- 1) Query or verify

- a) In this sub-item to query or verify an account refers to the instance when a debtor queries any specific amount or any content contained in any account as rendered by the Municipality to that person as per process contained herein;
- b) Any query can be raised at any municipal office or via the Municipality's Call Centre or by the way of correspondence;
- c) when a debtor queries an account such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by Municipality;
- d) a debtor may be represented by a duly appointed nominee or agent and;
 - i) such nominee or agent shall, upon request, produce sufficient proof of such appointment;
- e) all queries shall be acknowledged and dealt with as promptly and efficiently as possible by the Municipality; and
 - i) where required an outcome shall be conveyed to the debtor; and
 - ii) where an account query has arisen, the amount queried shall not be subject to debt collection by the Municipality until the query has been resolved and the outcome has been communicated to all parties; where relevant;
- f) the Municipal Manager may suspend any debt collection action, pending outcome of any query;
- g) notwithstanding any query on any account the account must still be paid, in terms of the provision contained in this policy, once any queries have been resolved, where relevant, or
 - subject to any other legislation, payment must be based on normal average of past accounts rendered until the query is resolved by the Municipal Manager; and
- iii) that portion of the account which is subject to the query must still be paid; and
- h) should a debtor not be satisfied with the outcome of a query, a debtor may lodge an appeal in terms of section 62, as read with section 95 (f), of the Systems Act;
- i) the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and
- j) The onus will be on the debtor to ensure that a suitable response to any query is received.

2) Dispute

- a) In this sub- item a "dispute" refers to an instance where a debtor disputes any specific amount claimed by the Municipality from that person
- b) Any person who has a dispute with the Municipality has a right, in terms of section 34 of the Constitution , to have any dispute that can be resolved by application of law decided in a fair public hearing before a court, where appropriate, another independent or impartial tribunal or forum;
- c) where the dispute process has been implemented in terms of sub-item (20 (b), section 102 (2) of the Systems Act will be applicable;
- d) the Municipal manager has a right to declare a dispute on any specific amount claimed by the Municipality from any person as may be considered necessary; and
- e) dispute lodged with the Municipality prior to the implementation of this policy, in terms of any previous policy shall continue to be dealt with in terms of that policy

3) General

- a) The Municipal Manager may require that any official attend any meeting in order to assist with the investigation relating to the facts surrounding any query, verification of any account or any dispute; and
- i) The Municipal Manager has the right to call for any document, book, computer data or record which in his or her sole discretion is deemed necessary to assist in attempting to deal with any issue referred to in this policy.

9. Accounts

- (1) This Municipality, in terms of section 102 (a) of the Systems Act, together with the Municipal Manager, in terms of the Langeberg Municipality; Credit Control and debt Collection By-Law, considers all separate accounts of a person liable for payment to this Municipality, to be consolidated, regardless of the fact that separate accounts for such debtor may be rendered, and include all pre-paid services for which no accounts is rendered.
- (2) All separate accounts of a debtor shall for the purpose of this policy be considered consolidated and shall, for the purpose of this policy, be treated holistically.
- (3) Subject to section 118 (1) of the Systems Act payment of any undisputed debt, in terms of section 7, of the Langeberg Municipality's Credit Control and Debt By-Law, will firstly be allocated to the debtors account as follows-
 - a) Allocation to down payments; then
 - b) Allocations to cash security deposits; then
 - c) Allocations to penalty fees(e.g. RD charges); then
 - d) Payments received via third party receipting will always be allocated as per sub-item (e) below;
 - e) If there is a partial payment the payment shall be allocated from the oldest debt to the youngest debt until the debt is fully paid
- 4) Any debtor may make a payment at a municipal cashier, which has the facility to allocate the payment. The payment will then be allocated as specified and any overpayments will be allocated as per sub-item (3) where applicable.
- 5) Subject to section 118 (1) of the Systems Act the Municipal manager has the right to offset any credit, or any amount due to the debtor, against any debit pertaining to that same debtor; or to transfer any debt to another account of that same debtor.
- 6) The Municipal Manager has the right to transfer any property debt owed by a tenant to that same registered owners account, in terms of section 118(3) of the Systems Act.
- 7) The Municipal Manager may apply any of the credit control and debt collection measures, contained in this policy with the relevant changes that the context may require, for any debt,
- 8) The Municipal Manager may raise any costs, charges and fees and collection commission as levied in terms of this policy.
- 9) Notwithstanding anything to the contrary contained in this policy the Municipal manager may deduct any amount owing to this Municipality by a Councillor or a staff member from such Councillors or staff member's remuneration or salary where there is history of late payments.
- 10) The Municipal Manager will require debtors or service providers to register with the Municipality by providing the relevant documentation, as determined from time to time, confirming, amongst others, all contact details, proof of identification and postal and contact addresses.
- 11) Failure to produce any information as required in terms of sub-item (10) may result in the restriction, disconnection or discontinuation of any supply of services, or any other relevant action in terms of this policy.

10. Procedures to register accounts in the name of the person who is responsible for the property where the owner has died.

- 1) Households must ensure that accounts are registered in the name of the person who is responsible for the property and uses the services of the municipality (1) month after the death of the owner of the property.
- 2) The person responsible for the property must certify that she/he accepts the conditions as indicated on a declaration form before he/she can apply for services of the municipality.
- 3) The following conditions must be included in the declaration form as per paragraph (2) above and the person responsible for the property must certify that he/she:
 - i) Occupies the property legally
 - ii) Is responsible for the property

- iii) Takes responsibility for the outstanding service account of the owner who has died
- iv) Takes responsibility for rates and taxes
- 4) A death certificate or any other proof must be provided that the owner of the property has died
- 5) Both the declaration form and application form for the services must be completed and certified before services will be connected.
- 6) With regards to municipal properties the Housing Department will give written approval that the account can be registered in the name of the applicant to ensure control over municipal properties.
- 7) The community and households must be informed by means of notices and public meetings of their responsibility to register the account in the name of the person responsible for the property.
- 8) If the declaration and application form is not completed within the period of one (1) month services may be disconnected to enforce households to apply for services to ensure that households take responsibility for services that are used.
- 9) If services have been disconnected and no person has taken responsibility for the outstanding account after the services have been disconnected, the outstanding amount will be provided to the attorneys / legal adviser for pre- legal processes.
- 10) The service deposit can be transferred from the deceased's account to the person who will take responsibility for the property.

11. Procedures to register accounts In the name of the person who is responsible for the property where the husband/wife separated/divorced.

- (1) The person responsible for the property must inform the municipality in writing
- (2) Provide an affidavit
- (3) Provide address of the other party
- (4) Municipality must inform other party that a request has been received to put the account in the name of the person who is staying on the property and he/she must indicate within a period of thirty (30) days if there is any objection and if no feedback is received it will be accepted that he/she is in agreement.
- (5) Other party confirm in writing that the account can be transferred to the name of the person who is staying on the property.

12. Irrecoverable debt

Criteria for irrecoverable debt

- 1) Debt will only be considered as irrecoverable if it complies with one or more of the following criteria:
 - a) all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount; or
 - b) any amount equals to or less than R500.00 or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
 - c) the cost to recover the debt does not warrant further transaction; or
 - d) the amount outstanding relating to insolvency;
 - i) is the residue after payments of a dividend in the rand from an insolvent estate; or
 - ii) there is danger of a contribution;
 - iii) no dividend will accrue to creditors; or
 - iv) there are insufficient funds to cover any preference afforded by section 118 (3) of the System Act; or
 - e) the amount outstanding to a deceased estate ;
 - i) has no liquid assets to cover the outstanding amount following the final distribution of the estate; or

- ii) where estate has not been reported to the Master and there are no assets of value to attach; or
- f) it has been proven that the debt has prescribed; or
- g) the debtor is untraceable or cannot be identified so as to proceed with further action; or
- the debtor has emigrated leaving no assets of value to cost-effectively recover Council's claim; or
- h) it is not possible to prove the debt outstanding; or
- a court has ruled that the claim is not recoverable
- the claim is subject to any order of court;
- the claim is subject to an out of court settlement agreement; or
- the debt is subject to a settlement in terms of section 109 of the Systems Act; or
- i) the outstanding amount is
- due to an irreconcilable administrative error by the Municipality;
- as a result of an administration error; or
- j) arrears owed by previous administrations, amongst themselves, that now form part of the municipality
- k) expenditure incurred, in respect of internal accounts raised in the name of the Municipality, in any previous financial year; or
- l) conversion of old dormant account balances of debtors, inherited from previous municipalities which now form part of the Municipality, and where reasonable steps have been taken to recover these debts; or
- m) all debtors who registered as indigents as provided for in item 24 will have their arrears written off in terms of item 23; or
- n) if an offer of full and final settlement is confirmed in writing by the Municipal Manager in terms of sections 14 (2) of the Langeberg Municipality: Credit Control and Debt Collection By-Law; or
- o) where Council
 - i) expropriates any property; or
 - ii) purchases any property in terms of item 10 (1) (f); or
- p) where a property has been forfeited to the State in terms of the Prevention of Organised Crime Act 121 of 1998; or
 - i) where the occupiers of a property have been evicted from Council, Provincial or State property due to criminal activities; or
- q) through supporting the Municipality's residential related debt management processes where the debtor has applied for and been granted an Indigent Grant in terms of the Indigent Policy, all debt related to that property for that debtor (excluding capital debt of home ownership), up to the date of granting of indigent status will be written back; or

Authorisation

- (2) In respect of other debt, schedules indicating the debtor account number, the debtors name, the physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled.
- (3) Notwithstanding the above, the municipality or its authorised officials will be under no obligation write-off any particular debt and will always retain sole discretion to do so.
- (4) Where debt has been written off in terms of item 12, and where applicable, the Municipal Manager shall have a right to offset any credit against any such debt written off, for the same debtor.

(5) Subject to the Langeberg Municipality: Systems of Delegations the Municipal manager may write off any debt as determined in this item.

13. Tampering and punishment

- 1) Tampering with any metering equipment or damaging any such equipment should be regarded as serious and the following actions shall apply.
 - a) Removal of the meter and legal prosecution for damages;
 - b) Recovery of costs including that of replacing meters;
 - c) The full outstanding amount being called up for immediate settlement with the normal credit control procedures being followed thereafter;
 - d) Payment of reconnection fees as determined by Council from time to time,
 - e) That water services be suspended and electricity be disconnected until the outstanding amounts are settled (a) to (d)
 - f) The engineering department must provide evidence, such as photos, of the meter that was tampered. A notice must be left at the property and the notice must indicate that their meter has been tampered with, the penalties that are payable before and that they must object within one week. The ward councillor should be informed, if possible.
 - g) Water and/or electricity may only be reconnected if the outstanding amounts are paid in full, a guarantee is provided or debit order for payment is provided.
 - h) Should exceptional circumstances exist, adequate payment arrangements may be permitted at the sole discretion of the Municipal manager.

CHAPTER 2: RATES AND SERVICES

14. Rates

- 1) The following provisions apply to rates and any levies
 - a) interest shall be charged on all overdue accounts
 - b) if the account is not paid by the due date as displayed on the account the Municipal Manager may issue any notice in terms of this policy showing the total amount owed to the Municipality;
 - c) if the account is not settled or there is no response from the debtor to make acceptable arrangements to repay the debt-
 - i) the supply of any services to the property may be restricted, disconnected , or discontinued in terms of the Credit Control and Debt Collection By-Law and items 9(7) and 15 of this policy; and
 - ii) irrespective of the exercise of the powers by the Municipal Manager in terms of the Credit Control and Debt Collection By Law and section 9 (7) and 15 of this policy summons may be issued and the legal process followed;
 - d) in instances where the rates debt is in respect of municipal property sold by suspensive sale agreement, the collection thereof will be dealt with in terms of the relevant deed of sale, and if applicable, this policy or subsequent applicable written agreement between the Municipality and the debtor
 - e) at any stage while the debt is outstanding all reasonable steps shall be taken to ensure that the ultimate sanction of a sale-in-execution is avoided or taken only as a last resort. The Municipality, however, has a total commitment to a sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time. This is also applicable to all debt and includes all debt which is charged against property, as referred to in this Chapter;
 - f) as part of the recovery process the Municipal Manager may bid, to an amount which is equal to the total of the debt plus costs and includes any reasonable amount for clearance purposes, at a sale-in-execution and, if successful, sign all relevant documentation to acquire and take transfer of the property;
 - g) the Municipal Manager shall have the right to negotiate and to cancel the deed of sale, as referred to in sub-item
 - f) before transfer to the Municipal Manager, if such cancellation results in either the bond holder or the debtor, or both the said parties, paying in full for all debt in connection with that property as well as the costs related thereto.

15. Services

- (1) The following provisions apply to the payment for services
 - a) accounts must be paid by the due date as shown on the account
 - b) interest will be charged on all overdue accounts;

c) if payment is not received or suitable payment arrangements are not made by the due date a notice may be **served in terms of section 115 of the Systems Act**, warning of an imminent restriction, disconnection or discontinuation of service after 10 (ten) days from the date as stated on the notice;

d) if payment is not received or suitable payment arrangements are not made by the due date as shown on the notice, the supply or supplies may be restricted, disconnected or discontinued for any service in respect of any arrear debt;

e) a notice shall be left at the property advising that the supply has been restricted, disconnected or discontinued and warn that all electric points should be considered live and that all water outlets should be closed

i) the notice must also advise that the supply will only be reconnected after the amounts specified on the notice, and any other debt including the reconnection fee, have been paid or an arrangement acceptable to the Municipality has been made;

f) the above notices must warn of the consequences of illegal reconnection

g) all residential consumers whose water supply has been restricted will have access to a basic water supply of at least 6kl month per month either by means of a restricted water flow to their property or where the water supply has been disconnected or discontinued as a result of, but not limited to, unauthorised or illegal reconnections and tampering, a water management device or a payment device or a pre-payment water meter may be installed, or communal water supply point, within a radius of approximately 200 meters from their property maybe provided; and

- i. the Municipal Manager has the sole discretion to insist on a water management device or prepayment water meter being installed to a property where the water supply is regularly restricted for non-payment
- ii. the Municipal Manager considers the debtor to be a credit risk to the Municipality; and a water management device, prepayment water meter or any service may be restricted, disconnected or discontinued for any arrears owed to this Municipality

h) subject to the provisions contained in item (e), debtors may be required to pay all penalties and arrears in full before supply is restored

i) subject to the Municipality capacity at the time to restore such services which has been, restricted disconnected or discontinued, such services will be restored within a reasonable period of time after the relevant conditions contained in this policy have been met;

j) the onus shall always be on the debtor to request reconnection and to prove that the full amount for which the service was restricted, disconnected and discontinued, as shown on the disconnection notice referred to in item 15(1) (c) has been paid or that an arrangement was entered into in terms of sub-item (f) .

k) despite the provisions of sub-items (a) to (j) should the amount outstanding for the supply services remain unpaid, full recovery procedures, including appropriate legal actions may be undertaken in order to collect these monies;

l) in the event of an insolvency and notwithstanding any provision provided for in this policy, the Municipal Manager, shall serve notice in terms of sub-item (1) (c) at the property and shall notify the trustee by giving 10 (ten) days' notice of the intention to restrict, disconnect or discontinue the services to the property; and

- i. notwithstanding sub-item (m) the period referred to therein may be waived at the request of the trustee

2) The installation of prepayment meter, with the written permission of the owner, is encouraged, however;

a) the Municipal manager has the sole discretion to insist on a prepayment meter being installed on a property where the electricity supply has been disconnected for non-payment; or

- b) the Municipal Manager deems the debtor to be a credit risk to the Municipality; and
 - c) a prepayment meter may be disconnected or the right to purchase units for a prepayment meter may be withheld as a result of non-payment of any debt owed to this Municipality
 - d) A conventional meter of an approved indigent can be replaced with a prepayment meter, at no cost to the indigent.
- 3) An authorised representative of, or service provider to the Municipality, shall be given access to any premises in accordance with the provision of section 101 of the Systems Act
- 4) the Municipal Manager shall have the right to restrict, disconnect or discontinue any service to a property regardless of who has occupation, upon the written request from the registered owner and provided service account is in arrears; and
- i. a notice may be first served in terms of Section 115 of the Systems Act, giving 14 (fourteen) days' notice of the intention to restrict , disconnect or discontinue such service.
- 5) where a service account, which is not in the name of the registered owner, has been restricted , discontinued, the Municipal Manager may insist that the services be transferred into the name of such property owner;
- notwithstanding (6) the Municipal Manager may at any other time insist that the service be transferred into the name of such property owner.
- 6) Notwithstanding anything to the contrary the provision of this item shall apply to any debt and the supply of any service to the property may be restricted, disconnected or discontinued in terms of the Credit Control and Debt Collection By-Law and item 9(7) of this policy

16. Other debt

- 1) All debt under this item will be subject to;
 - a) interest being charged on all overdue accounts
 - b) the supply of any service to the property may be restricted, disconnected or discontinued in terms of the Credit Control and Debt Collection By-Law and item 9(7) and 15 of this policy; and
 - c) in the recovery of sundry debt, the Municipality reserves the right to utilise any legal action at its disposal as well as making use of any third party debt collectors.

Dishonoured payments: rates and general services

- 2) Where a cheque, debit order, credit card or EFT payment is dishonoured and where the customer who received value from such payments, is an existing debtor of the Municipality, the reversal and penalty fee, raised by the Municipal manager as contained in the Tariff Policy, may be debited to an account of such payer and a letter of notification must be sent to the debtor. Such fee shall be considered to be a tariff charge and shall be recovered from the debtor. The Municipality reserves the right to refuse to accept or to cancel such further payment methods from such person, to place the matter on the relevant adverse credit ratings lists, or take any steps as contained in this policy, which may include criminal charges, if applicable, against the offender; and
- a) Where a payment referred to in sub-item (2) was tendered and any debt management action, in terms of this policy, was suspended, and such payment was honoured, such debt management action shall continue without further notice to such debtor.

3) Where a cheque, debit order, credit card or EFT payment is dishonoured and where the payment is not from an existing debtor of the Municipality, a sundry debtor account will be opened and a debit and a penalty fee, raised by the Municipal Manager as contained in the Tariff Policy, will be debited to the account and a letter of notification must be sent to the debtor. Once the account is submitted and the debtor fails to honour the debt by the due date, a final demand will be generated and dispatched to the last known address of that debtor. If there is still no response, then the matter may be handed over for placement on the relevant adverse credit rating lists, or any steps as contained in this policy which may include criminal charges, if applicable, against the offender may be taken; and

a) Where a payment referred to in sub-item (3) was tendered, and any debt management action, in terms of this policy, was suspended, and such payment was not honoured, such debt management action shall continue without further notice to such debtor.

4) Where a cheque, debit order, credit card or EFT payment is dishonoured and where the payment was made by an existing debtor of the Municipality, the reversal of the penalty fee, raised by the Municipal Manager as contained in the Tariff Policy, may be debited to an account of the drawer, or the person or entity who made the payment or the beneficiary and a letter of notification must be sent to the debtor. Such fee shall be recovered from the debtor. The Municipality reserves the right to refuse to accept such further method of payment from such payer and or beneficiary and may take any steps as contained in this policy which may include criminal charges, if applicable, against the offender.

5) The Municipality may attach the rental or any other payments due to debtors who are in arrears with their municipal accounts:

a) if any debt levied in respect of a property is unpaid by the owner of the property the Municipal manager may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligations to the contrary on the tenant occupier.

b) the Municipal Manager may recover an amount only after a written notice has been served on the tenant or occupier as provided for in section 115 of the Systems Act; and

c) the amount the Municipal Manager may recover from the tenant or occupier of a property in terms of sub-item (a) is limited to the amount of the rent or other money due and payable, but not paid, by the tenant or occupier to the owner of the property; and

d) any amount the Municipal Manager recovers from the tenant or occupier of the property must be set off by the tenant or occupier against money owed by the tenant or occupier to the owner; and

e) the tenant occupier of a property must, on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments to be made by the tenant or occupier to the owner for rent or other money payable on the property during a period determined by the Municipal Manager.

f) the Municipal Manager may recover the amount due for debt on a property in whole or in part from the agent of the registered owner, if this is more convenient for the Municipal Manager; and

g) the Municipal Manager may recover the amount due for debt from the agent of the registered owner only after

h) the amount the Municipal Manager may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the registered owner, less any commission due to the agent; and

i) the agent must, on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by the Municipal Manager.

Dishonoured payments sundry services Clearance certificates

6) All debt, inclusive of any advanced collection shall be deemed to be due and payable, for the purpose of issuing any clearance certificate in terms of section 118, of the Systems Act and must be paid in full:

a) no interest shall be paid in respect of any payment made in terms of this sub-item unless permitted in terms of any other legislation or policy;

b) all payments will be allocated to the registered sellers municipal accounts in terms of this policy;

c) prior to any refund payment

i) the advanced collection shall be used to offset any debt that accumulated against the property as follows- (aa) any tenant debt; and (bb) any of the sellers debts: -

d) any refund, in respect of any credit remaining after registration of transfer has been registered in the Deeds Office, shall be refunded to such seller subject to Chapter 4 of this policy;

e) no certificate, in terms of section 118 of the Systems Act, will be issued where the registered owner(and, in this instance, the seller) has not complied with any relevant legislation, policy or agreement relating to the property in question;

f) the Municipal Manager may require the purchaser to apply for all services at the property as part of the application for a clearance certificate; or

- by virtue of registration of the property, the registered owner accepts liability for all services rendered by the Municipality to the said property, except as provided for in other legislation or policy;

g) with the exception of an attorney's trust cheque any cheque tendered in respect of a clearance certificate, in terms of section 118 of the Systems Act, must first be cleared by the bank before the certificate can be issued;

h) all figures issued in terms of section 118 of the Systems Act will only be valid for the validity period attached to such figures and only payments made within the validity period will, for the purpose of issuing the certificate, be offset against any debt of such debtor.

i) should any certificate be issued in respect of any payment made in sub-item (h) above and should such certificate lapse then any payments so made will be regarded as a payment on account and may be offset against any debt of such debtor.

Property related debt

7) In terms section 118 (3) of the Systems Act an amount due for municipal service fees, surcharges on fees property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property. In additions, this amount shall be for the account registered owner regardless of who incurred such debt.

8) Any service to a debtor's property may be restricted, disconnected or discontinued in terms of the Credit Control and Debt Collection By-Law and item 9(7) and 15 of this policy.

17. Arrangements

Principles for residential

- 1) Current accounts must be paid in full on or before the due date.
- 2) The debtor may be required to prove levels of income and must agree to a monthly payment towards arrears based on such debtors ability to pay or based on such debtors total liquidity if the Municipal Manager so requires.
- 3) That credit control officials are authorized to make affordable arrangements with consumers to pay arrear debts and all negotiations with the debtor should strive to result in an agreement that is in the interest of both parties and is sustainable.
- 4) Interest will be charged on arrears
- 5) Interest on
 - a) arrears in respect of all services may be suspended
 - b) rates may be calculated at 0% whilst the debtor adheres to the conditions of the arrangement; and
- 6) Notwithstanding anything contained in this item the Municipal Manager shall be under no obligation to enter into an arrangement with a debtor
- 7) All arrangements may be subject to a periodic review in accordance with the terms and conditions contained in this policy; and
 - a) not more than 3 (three) arrangements in terms and conditions contained in this policy, will be allowed over a three year period, starting from 1 July 2010; and
 - b) failure to enter into a new arrangement after the expiry of the 18 (eighteen) months referred to in sub-item (a) shall result in the debt becoming due and payable forthwith; and
 - i) all credit control and debt collection measures as contained in this policy may be enforced
- 8) All services may be restricted, disconnected or discontinued and legal action may be taken against debtors who default on any arrangement and such debt may be referred to third party debt collectors, for recovery.
- 9) When the services have been disconnected the full current account, as well as the administrative fee is payable before the services are reconnected unless in exceptional cases as determined by the Director: Financial Services.
- 10) The Municipality may apply debt collection as a percentage on the pre-payment electricity system, to ensure collection of all arrear debt on the account of the customer. Where this method is applied, the following process will be followed:
 - a) For customers with no arrangement in place - the full arrear amount, limited to 80% of the purchase amount issued by the customer, will first be deducted from the purchase amount before any money is allocated to the purchase of electricity
 - b) For customers with an arrangement in place – the total due as per arrangement, limited to 80% of the purchase amount issued by the customer, will first be deducted from the purchase amount before any money is allocated to the purchase of electricity.

Arrangement Criteria for residential debtors

9) In cases where residential debtors wish to make arrangements to liquidate their arrears, the following payment criteria, inter alia, will apply:

- a) Current account; and
- b) an agreed payment towards arrears based on the principles contained in this policy and sub-items (2) and (3);
- c) this minimum payment must be paid in order for the arrangement to be considered; and
- d) the Municipal Manager has the sole discretion to determine the amount to be paid in terms of sub-items (9) (c) .

10) Each following month the debtor will be required to pay

- a) Current account; and
- b) an instalment as determined in sub-item (9) (b) above

11) Should the debtor default the following will apply:

- a) The debtor must pay the shortfall of the arrangement and thereafter continue with the terms and conditions of the arrangement; or
- b) enter into a new arrangement in terms of this policy

12) In all cases, failure to respond to notices will result in normal credit control procedures and all debt collection processes as provided for in this policy being taken.

Principles for non-residential debtors

13) In cases where non-residential debtors wish to make arrangements to liquidate their arrears, the following criteria, amongst other things, will apply

- a) Arrangements for a maximum period of six months will be allowed unless in exceptional cases as determined by the Director: Financial Services
- b) debtors may be required to furnish the Municipality with their latest audited financial statements and other supporting documentation relevant to their financial position in order to negotiate a settlement arrangement acceptable to the Municipality;
- c) credit control officials be authorized to make affordable arrangements with consumers to pay arrear debts and all negotiations with debtors should strive to result in an agreement that is in the Municipality's best interest and is sustainable.
- d) interest will be charged on arrears at an interest rate that shall be determined by Council from time to time;
- e) interest on
 - i. arrears in respect of all services may be suspended; and
 - ii. rates may be calculate at 0%; ad whilst the debtor adheres to the condition of the arrangement;
- f) all arrangements shall be subject to item 17 (7)

Arrangement criteria for non-residential debtors

14) if the non-residential debtor wishes to make an arrangement, interest may be charged or suspended on any outstanding amount and such arrangement will be subject to approval of the official as delegated in terms of sub-item (13) (f)

15) Should the debtor default on any arrangement, all services may be restricted, disconnected or discontinued and any agreement may be terminated and legal action may be taken and such debt may be referred to a third party for recovery.

16) When the services have been disconnected the full current account, as well as the administrative fee is payable before services are reconnected unless in exceptional cases as determined by the Director: Financial Services.

Special conditions regarding arrangements

16) Where any residential or non-residential debtor has entered into an agreement with the Municipality in respect of the arrears on a property, the prescribed certificate as referred to in section 118, of the Systems Act, will not be issued until such time as the full outstanding amount is paid.

17) The conditions contained in the Municipality's arrangement document, as amended from time to time, will form part of the arrangement criteria contained in this policy; and

a) the condition contained in this policy shall form part of the conditions contained in any Municipality's arrangement document as amended from time to time,

18) Should the current account be higher than normal, due to, but not limited to, under-estimations and faulty meters, previous accounts rendered maybe be taken into consideration, when determining an amount to pay in order to enter into an arrangement.

19) Notwithstanding sub-item (9) (a) and (b) above, the Municipal Manager may determine that the current account, interest, disconnection, reconnection charges including any cost of installing any prepayment meter and any costs of installing a water management device, be excluded from the initial payment, when entering into agreement; or

a) any charges or costs for any disconnection, reconnection including any costs of installing any prepayment meter and any costs of installing water management device, which appear on any subsequent account following the arrangement concluded in sub-item (19) may be subject to a renegotiated arrangement.

20) All debtors entering into arrangements shall provide their banking details, and those who have the facility to sign a debit order with their financial institutions shall do so.

21) Where a tenant or occupier, who has the ability to pay, wishes to make an arrangement the following will apply:

a) item 16 (5) must at all times be complied with;

b) where the rental is insufficient or there is no rental paid by the tenant or the occupier an arrangement to recover the monthly current account and the property debt must be entered into in terms of the conditions and requirements of this policy;

c) where any service is in the name of a tenant or occupier an arrangement to recover the monthly current account and the property debt must be entered into terms of the conditions and requirements of this policy.

22) The Municipal Manager would normally only enter into arrangements with the registered owners, but may enter into an arrangement with a tenant of a residential property, which certifies that;

a) the registered owner of the property at which such tenant or occupier so resides in is;

- i. untraceable; or
- ii. not contactable; or
- iii. Such registered owners whereabouts are unknown; or
- iv. Where there is no co-operation by the registered owner with the occupier, and –

b) that they have a right to so occupy such property and stating the time period that they have so occupied the property

c) the last known address of the registered owner;

d) the rental due for such right to so occupy

e) that such occupier or tenant undertakes to advise the registered owner at the first reasonable opportunity of the current situation and that the tenant or occupier further agrees to obtain the consent of the registered owner to condone the process as set out in this sub-item failing which the arrangements may be null and void; and

f) where applicable provide comprehensive details of the non-cooperation of the registered owner;

enter into an arrangement with such a tenant or occupier in terms of this policy, to pay off arrears on an account which is a charge against the property

Steps to be taken by the Municipal Manager

g) authorise an arrangement to be entered into with the occupier or tenant subject to;

- i. the possible installation of a prepayment electricity meter, a water management device including any prepayment water meter

23) Notwithstanding the provisions of the sub-items (21) and (22), the Municipal Manager may refuse to reconnect or restore any service to a tenant unless written permission is obtained from the registered owner:

a) authorising the tenant to enter into arrangement in terms of this policy; and

b) authorising the reconnection or restoration of any service

24) The Municipal Manager may restrict, disconnect or discontinue any service to a property;

a) if the registered owner withdraws, in writing, any permission granted in terms of the sub-item (23) where the tenant has defaulted on the arrangement made; and

b) no new application for any service to the property will be authorised until all the arrears have been settled in full.

Chapter 3: INDIGENNT RELIEF FOR ALL RESIDENTIAL PROPERTIES

18. Criteria for qualification

The following criteria for application shall apply:

- 1) Residential consumers with a monthly income of less than R3820.00;

19. Process for applying and approval of indigent subsidy.

- 1) The following process for applying and evaluating/approval of indigent subsidy must be followed:
 - i. Notice must be given to residents to apply on a prescribed form for indigent subsidy not later than 31 May of a year.
 - ii. All applicants for indigent received must be evaluated by a credit bureau and/or community development worker where- after it will be approved/disapproved by the Director: Financial Services
 - iii. indigents as approved will be effective for a medium term of three years
 - iv. Applicants for indigent subsidy received and approved during a year/month will be implemented as from the date that the application was received.
 - v. A list of approved indigents will be referred on a six monthly basis to the Ward Committees for evaluations. Such information must be treated as confidential and may not be discussed in the public.

20. Design of the subsidy –general

- 1) Subsidy to the amount of 100% of the basic charges of indigents with household income of less than R3500 will be credited to their municipal account from the Equitable Share.
- 2) Indigents will also receive 6 kilolitres of water and 50 kwh electricity free per month

21. Tariff Structure

- 1) The Rates Policy and Tariff Policy are designed to enable those residential debtors who meet the criteria as defined therein to obtain basic free services.
- 2) The free basic services referred to in this Chapter will be determined by Council from time to time, and such determination will override anything else to the contrary as contained in this Chapter.

22. Excess Consumption

Any consumers who uses in excess of any free allocation of service, will be charged for those services in accordance with the Tariff Policy and will be subject to this Policy.

23. Arrears

1) All residential debtors who qualify and are registered as indigent will have their arrears written off once during a three year period, and thereafter will be subject to item 21, provided that;

a) where applicable, a water management device and any prepayment meter have been installed at the property; and

b) the arrears are not as a direct result of tampering or any illegal usage services

2) After the arrears have been written off in terms of sub-item (1), and irrespective of whether consumers receive a current account for any subsequent rates and services, consumers who again fall into arrears are still required to make an arrangement with the Municipal Manager to pay off their arrears in accordance with the principles and conditions contained in this policy.

3) Sub-item (2) applies to all person who have had their arrears written off in terms of sub-item (1) and who at any stage thereafter re apply for indigent status.

24. Registration criteria

1) In order to qualify for registration as an indigent, for a period not exceeding thirty six months, an applicant, which could include any combination of applicants, must satisfy the following criteria:

a) The property must be a residential property; and

b) the applicant, or any combination of applicants, must be-

- i. the registered owner of the residential property; or
- ii. the occupier of child headed household where the residential property is registered in the name of deceased parent or deceased parents; or
- iii. a purchaser of a residential property from any of the spheres of government on a delayed transfer basis; or
- iv. the party to whom the residential property is awarded in the event of a divorce; or
- v. where a deceased estate has not been wound up;

aa) in the case of deceased estate, in whose name the residential property is registered, any heir to whom the registered property has been bequeathed; or

bb) a surviving spouse, where the surviving spouse was married in community of property to the deceased, and where the residential property is registered in the spouses names and the surviving spouse is the sole heir; or

cc) a surviving spouse, who was married in community of property to the deceased, together with any other heirs, if any, where the residential property is registered in the name of the deceased; or

dd) in the case where a portion of a residential property is registered in the name of a deceased estate, the surviving registered owners together with the heirs to the deceased estate; or

vi. in the event of residential property being registered in the name of a trust;

aa) the beneficiaries, for the meantime, of testamentary trust established in terms of the Administration of Estates Act 66 of 1965; or

bb) the trustees together with any beneficiaries, for the meantime, established in terms of the Trust Property Control Act, 57 of 1988; or

vii. a usufructuary or habitation where such usufruct or habitation right is registered against a residential property in the name of that usufructuary or habitation; or

viii. where there is more than one person residing at the residential property who meet any of the criteria set out in this sub-item, they must jointly make an application in terms of this item;

c) the applicant may not be a registered owner of more than one immovable property nationally and internationally; and

d) be a full time occupant of the residential property or where the registered owner is unable to occupy the property due to no fault of such registered owner, the spouse or minor children may satisfy the occupancy requirement

2) The Municipal Manager may call upon an applicant, an indigent or a debtor at any time to produce documents in support of their claim for indigence or indigent; and

a) may at any time approach any person in order to verify any claim made by an applicant or indigent.

3) Council may determine any criteria as mentioned in sub-item (1) and (2) from time and time.

4) The qualifying household income for indigent subsidy for residential consumers is a monthly household income less than R3500

5) The indigent grant will be withdrawn from any person who

a) Runs a spaza shop illegally from the premises receiving subsidy

b) Allows illegal electricity connections to the premises receiving an indigent grant

c) Subleases the premises receiving indigent grant which means that the applicant is not personally occupying the premises

6) Ward councillors to assist with the review of new applications

7) In exceptional circumstances and at the sole discretion of the Municipal Manager, the Municipal Manager may approve as an indigent, the indigent will be disqualified from any further indigent support.

8) As soon as a business is operated from residential property (legal and illegal) of an owner who has been approved as indigent, the indigent will be disqualified from any further indigent support.

9) As soon as illegal electricity is connected on/from the property, indigent will be disqualified from any further indigent support.

25. Indigent relief: water

1) Indigents receive their first 6kl, or as determined by Council from time to time, of consumption on a zero-based tariff.

2) The Municipal Manager shall grant authority that a water management device or prepayment water meter may be installed in properties qualifying for indigent relief so as to reduce consumption to affordable levels.

3) A residential debtor who doubts the validity of the consumption stated on any account may apply for the meter to be tested at his or her cost as per the Tariff Policy relating to indigence.

26. Indigent relief: electricity

1) Indigents receive their first 50kwh electricity, or as determined by Council from time to time, of consumption on a zero based tariff; and

- a) prepayment meters will not receive the free basic supply of electricity for months in which no energy is purchased unless this is specifically claimed each month at a vending outlet; and
 - b) credit meters will be credited with as much of the free basic supply of electricity as is used during the metering period
- 2) The Municipal Manager shall grant authority that a prepayment meter may be installed in those properties where the registered owners qualify and are registered for indigent relief so that the debtor cannot consume electricity beyond such debtor's means

27. Indigent relief: solid waste sewerage

- 1) Indigents will receive a subsidy equal to the charges for waste collection and sewerage for residential properties.
- 2) All informal residential debtors will receive a free basic waste collection service

28. Debt management actions

- 1) An application for registration as indigent is only valid for a maximum period of thirty six months from the date of approval.
- 2) It is a requirement of this policy that should the personal circumstances of a debtor improve to such an extent that such debtor no longer qualifies as an indigent, such person must notify the Municipal Manager immediately of this change in order for such persons name to be removed from the indigent register.
- 3) If it is found that a debtor no longer qualifies as an indigent, and such debtor has not informed the Municipal Manager, then this debtor will be de-registered as an indigent, and all suspended steps, as referred to sub-item (1) above, will be lifted, from the time the debtors circumstances were found to have improved, and interest will be payable on any outstanding amounts.

29. Misrepresentation

- 1) Debtors found to have misrepresented themselves in order to benefit from the Municipality's indigent relief will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time and the Municipal Manager may-
 - a) reverse all benefits and relief received; and
 - b) raise any fees as determined by Council from time to time, as set out in the Tariff Policy
- 2) Any person who has received any benefit or relief in terms of this policy and who has misrepresented themselves in order to qualify for such benefit or relief will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and the Municipal Manager will
 - a) reverse all benefits and relief received; and
 - b) raise any fee, as determined by Council from time to time, as set out in the Tariff Policy.

7) The Municipal Manager shall report any misrepresentation in terms of this policy to the South African Police Services.

CHAPTER 4: CREDITS, REFUNDS AND TRANSFERS

30. Credit

- (1) The municipal manager shall have the right to claim any credits due to this Municipality or any of its predecessors-in-law.
- (2) No interest shall be paid in respect of any credit on any account unless permitted in terms of any other legislation, policy or as determined by Council from time to time.

31. Requests for refunds or transfers

- (1) All requests for refunds or transfers must be in writing.
- (2) A "Request for Refund Form" must be completed, or dictated to an official who will record it in writing and have it read, and if necessary, corrected, and
 - (a) all the applicable supporting documentation must be supplied, and the form
 - (b) must be signed by the person requesting the refund
- (3) The form must then immediately be lodged with the relevant authorised official.
- (4) Consideration for a refund or transfer will only be given where credits appear on the account.
- (5) Refunds will only be made to an account holder.
- (6) Notwithstanding sub-items (4), (5) and (7) any payment made on an account by a third party will only be considered for a refund or transferred, by the Municipal Manager, to such third party, after the latter submits proof of the payment and such refund or transfer will be subject to any law and policy of the Municipality.

By the claimant

- (a) The claimant will be required to produce the original proof of the payment which includes but does not limit any of the following:
 - (i) Original receipt;
 - (ii) Proof of payment method;
 - (iii) Original cheque as processed by the bank, if applicable;
 - (iv) Affidavit in support of the refund or transfer; and
 - (v) Proof of the account intended to be paid, if applicable.

By the Municipality

- (b) No refund or transfer shall take place until any objection to the refund or transfer by the account holder, as referred to in sub-item (ii), has been resolved to the satisfaction of the Municipality; and
 - (i) The Municipal Manager shall notify both the claimant and the account holder, of any final decision to either:
 - (aa) Proceed with the refund or transfer; or
 - (bb) to reject the request for the refund or transfer

By the Accountholder

- (c) Any accountholder objecting to such refund or transfer must comply with the following:

- (i) Submit such objection in writing showing cause as to why the refund or transfer should not take place; and
- (ii) May be required to submit such objection in the form of an affidavit.
- (7) Except for refunds in terms of section 55, of the Property Rates Act, where there are two or more account holders all of the accountholders must complete and sign the "Request for Refund or Transfer Form" as per sub-item (2).

32. Unclaimed deposits

- (1) An unclaimed direct deposit is any amount of money legally paid into the municipal primary bank account without any traceable reference or documentary proof on how the deposit should be allocated and that remains unclaimed for a period of three (3) months.
- (2) After all processes to identify the unallocated deposits have been exhausted and the period has expired all unclaimed and/or unallocated deposits will be receipted in a register and kept by the municipality.
- (3) The register will be maintained and updated regularly and be kept for a period of three (3) years.
- (4) After the unclaimed and/or unallocated deposits have been deposited in the register the rightful owner thereof can claim the deposit within a period of three (3) years from the date the deposits were deposited or become unclaimed subject to documentary proof of being provided by the claimant of the deposit.
- (5) The value of unclaimed deposits and/or unallocated direct deposits will be recognise as a liability in the financial statements of the municipality.
- (6) Should the unclaimed deposits not be claimed within the period of three (3) years the deposits will be written off from the register and be receipted as revenue in that financial year.

33. Deceased estates, insolvent estates, judicial management and curatorship

Deceased estates

- (1) Refunds and requests for transfers will only be considered upon receipt of the duly completed form referred to in item 34, signed by a duly appointed executor or executrix, and such application shall be subject to relevant conditions contained in item 34; and
 - (a) Refunds will only be made payable to the deceased estate's bank account.
- (2) Notwithstanding sub-item (1) if an estate is wound up in terms of section 18 (3) of the Administration of Estates Act, then such refund or transfer can be made as per the directions as given by the Master by applying the same or similar principle; and
 - (a) The Masters direction as referred to in sub-item (2) must be attached to the request for the refund or transfer.

Insolvent estates including any entity in the process of liquidation

- (3) Refunds and requests for transfers will only be considered upon receipt of the duly completed form referred to in item 34, signed by a duly appointed trustee or liquidator, and such application shall be subject to relevant conditions contained in item 34; and
 - (a) refunds will only be made payable to the bank account of either the insolvent or an entity in liquidation; or
 - (b) to a rehabilitated insolvent; or
 - (c) Notwithstanding anything else to the contrary contained herein to any nominee, subject to the conditions contained in this policy.
- (4) Despite anything to the contrary contained in this policy the right to offset any debt against any credit is subject to the Insolvency Act.

Judicial management

- (5) Refunds and requests for transfers will only be considered upon receipt of the duly completed form referred to in item 34; signed by a duly appointed judicial manager, and such application shall be subject to relevant conditions contained in item 34; and
- (a) Refunds will only be made payable to the bank account of a company which has been placed under judicial management.
- (6) Despite anything to the contrary contained in this policy the right to offset any debt against any credit is subject to the Insolvency Act.

Curatorship

- (7) Refunds and requests for transfers will only be considered upon receipt of the duly completed form referred to in item 34, signed by a duly appointed curator, and such application shall be subject to relevant conditions contained in item 34; and
- (a) Refunds will only be made payable to the bank account of a person under curatorship.

34. Refunds and transfers generally

- (1) Subject to sub-item (2) refunds shall take the form of electronic bank transfers.
- (2) Subject to sub-item (3) the Municipal Manager shall have the right to offset any credit against any debt of the same debtor.
- (a) Notwithstanding sub-item (2) the amount referred to in item 24 (2) shall not be offset except as provided for in item 24 (3).
- (3) The right to offset any debt against any credit is subject to the Insolvency Act, or any court order prohibiting such set-off.
- (4) In the case of a refund or transfer to a partnership no set-off against any debt of the individual partner may take place, but
- (a) any credit due to a partner may be offset against the debt of a partnership.

35. Clearance certificates

- (1) Any payment for a clearance certificate, which results in a credit on the sellers account, shall be refunded to such seller, after registration, and after finalisation, to the satisfaction of the Municipal Manager, of the respective account.
- (2) Where a sale does not result in registration taking place no refund shall be made, unless there is a credit on the account, and such refund shall be limited to the total of the amount in credit which shall not exceed the credit placed to the account in order to obtain the clearance certificate.
- (3) The sheriff of the court who sold the property shall be the seller when a property has been sold in execution.
- (4) A duly completed 'Request for Refund Form' may accompany any application for a clearance certificate.

36. Nominees

- (1) Subject to sub-item (2) and (3) and notwithstanding anything else contained in this policy refunds may be made to a nominees banking account.
- (2) The Municipal Manager has the right, subject to any applicable legislation, to offset any of the nominees' debt against any credit to be refunded to such nominees banking account.
- (3) Notwithstanding sub-item (1) no refund will be made to a nominee where the account holder is a juristic person.

CHAPTER 5: MISCELLANEOUS

37. Right of access to property

- 1) The registered owner or occupier any premises in this Municipality must give an official of this Municipality or any representative of a service provider, who is authorised by the Municipal Manager, access at all reasonable hours to the premises in order to inspect the premises, read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict or discontinue the provision of any service.
- 2) Where access has been denied to a property or where it is found that officials are unable to gain reasonable access the Municipal Manager may, having given fourteen days due notice, insist on the installation of a water management device and any prepayment meter may be installed at the property, at the owners cost.
- 3) Where access has been denied to a property or where it is found that officials are unable to gain reasonable access the Municipal Manager may, having given fourteen days, due notice, disconnect, stop or restrict or discontinue the provision of any service, at the cost of the owner.

38. Compromising or compounding any action, claim or proceedings

- 1) In terms of section 109 of the Systems Act the Municipal Manager may compromise or compound any action claim and proceedings where applicable.
- 2) Sub-item (1) is not applicable to rates except as provided for in section 26(3) of the Property Rates Act.

39. Review of this Policy

- 1) This policy shall be reviewed annually as part of the budget process or whenever required

CHAPTER 6: COLLECTION PROCEDURES

40. Failure to pay debt by due date

- 1) Should any debtor fail to pay any debt, referred to in section 118 (3) of the Systems Act, by the due date, the Municipal Manager may, serve a notice in terms of section 115 of the System Act,-
 - a) on the debtor, and
 - b) on the propertycalling upon such debtor to pay debt within 10 (ten) days of such notice.

41. Content of notice

- 1) The notices referred to in item 39_ shall state that should any debt not be settled within 10 (ten) days of such notice, application will be made to a court for an order for the sale of the debtors property for the outstanding debt plus any additional debt incurred in the application of this Chapter.

42. Address for delivery of notifications

- 1) Any debtor may notify the Municipal Manager of an address within the Republic to which any notice referred to in sub-item 39_ (1) may be sent; and

a) any address given in terms of sub-item (1) may be amended by a debtor by notifying the Municipal Manager in writing of the change thereof; and

- i. such amended address shall take effect when written acknowledgement of such address is dispatched by the Municipal Manager to the debtor.

b) the onus shall be on the debtor to ensure that such debtor receives written acknowledgement of such amended address;

c) the amended address shall be deemed for all purposes to be the address where all notices in terms of this Chapter may be served to the exclusion of any address previously notified;

d) shall state either the property account number or numbers of each applicable account; and

- i. the full description of the property
- ii. the physical address of the property; and
- iii. the full name of the registered owner

43. Procedures to be followed

1) Should any debt referred to in item 39, remain unpaid after the final date for the payment thereof, such debt may be recovered in the manner set forth in this Chapter.

2) The Municipal Manager shall cause a further notice to be served, in terms of section 115 of the Systems Act, advising that an application shall be made in Court, after the lapsing of 14 (fourteen) days from dispatch of this notice, for an Order for the sale of the debtors property for the outstanding debt plus any additional debt incurred in the application of this Chapter.

3) If after giving notification in terms 39_ and sub-item 42 (2) hereof, and such debt remains outstanding, a court of competent jurisdiction, upon the application by this Municipality, showing

a) the amount of debt not paid; and

b) the notices provided for in items 39 and 42 (2) has been given shall be requested to summarily order of such property against which the debt is owing to be sold by way of public auction, subject to the conditions contained in sub-item (4), (5) and (6) hereof, which order the court shall have the right to grant.

4) The order shall give the power for the proceeds of the public auction to be paid into court and direct that payment be made to the Municipality, from these proceeds; of

- a) all debt outstanding; and
- b) all costs incurred by this Municipality in respect of the application made in terms of this Chapter;

in preference to any bondholder in terms of section 118 (3) of the Systems Act.

5) Upon the court order as set out in sub-item (3) and (4) hereof the Municipality shall have the right to have the property or any part thereof, as the case may be, sold in accordance with the courts order without the necessity of issuing a writ or other process of court for that purpose, except as provided for in sub-item (6), provided that in all other respects any such sale shall be deemed to be a sale of immovable property in execution of the judgement of such court, that it shall not be necessary to notify or consult the debtor, against which the amount is owing, with regards to the sale or the conditions of the sale.

6) Prior to applying for a date sale of any property in terms of this Chapter, or the court order, the Municipal Manager shall-

- a) post a notice on the official notice board of this Municipality for a period of at least 30(thirty) days;

- b) publish such notice in at least three newspapers circulating in the area which the property is situated; and
- c) serve a notice to this effect on the debtor.

7) The notice referred to in sub item 45(6) may be in the form of a schedule and shall contain at least the following information:

- a) The name of the owner
- b) the full physical address of the property
- c) the amount outstanding
- d) that the debtor has a right to settle the debt before the expiration of the notice;
- e) that the property may be sold in terms of the court order granted in terms of this Chapter should the debt remain outstanding after the expiry of the said notice; and
- f) any other information which the Municipal Manager deems necessary.

8) The notice referred to in sub-item 45 (6) may be in the form of a schedule and shall contain at least the following information:

- a) The name of owner
- b) the full physical address of the property
- c) the amount outstanding
- d) that the debtor has a right to settle the debt before the expiration of the notice;
- e) advising that application shall be made to the sheriff of the court for a sale date after the expiry of the notice;
- f) any other information which the Municipal Manager deems necessary.

9) If before the sale of any such property in terms of any court order there is a certificate, from the Municipal Manager that all the amounts due have been fully paid, produced to the sheriff or any other person charged with the sale thereof, the said property shall be withdrawn from the sale.

10. Notwithstanding that all the said amounts may have been paid before the said sale this Municipality shall not be liable to any person whatsoever for any loss or damage suffered by such person by reason of the sale of any such property in respect of which no such certificates have been produced to the said sheriff or person in charge.

11) if any property is sold pursuant to a court order referred to in this Chapter notwithstanding the fact that all amounts due have in fact been paid; and

- a) if the Municipal Manager, within three months of sale, is satisfied that the said amounts had been paid at the date of sale, the Municipal Manager shall, if transfer of the property to the purchaser has not been registered, declare the sale null and void;
- b) the declaration referred to in sub-item (11) (a) hereof shall be by way of written notice signed by the Municipal Manager and a copy thereof shall be served on the registered owner, in terms of section 115 of the Systems Act, and on the purchaser, at the address supplied in the conditions of purchase, and shall be transmitted forthwith to the Registrar of Deeds.
- c) upon signature of the said declaration the sale shall be null and void and in that event the purchase price shall be refunded to the purchaser.
- d) the registered owner shall be liable for all expenses of the sale and all expenses incurred pursuant to the sale and any expenses incurred after production, if any, of the certificate referred to in sub-item (9) hereof, to the sheriff or any other person charged with the sale; and
- e) if no such certificate has been signed by the Municipal Manager in accordance with sub-item (9) hereof the sale shall be of full force and effect.

12 Nothing contained in this Chapter prevents this Municipality from taking any other proceedings for the recovery of debt as set out in this policy, any relevant legislation, or any other competent procedure in any court of competent jurisdiction.

44. Involvement of employers

1) The present arrangement with major employers, such as canning factories, in terms of which deduction in respect of arrears as well as the current payments from weekly wages are made, should be encouraged , provided that employees participate on a voluntary basis and that deductions are subject to affordability. It should be extended to the other employers with the following incentives for those who participate:

- a) That commission as determined by Council from time to time paid to employers who participate and undertake the administration of such deductions;
- b) That employees who participate be granted a discount to be determined by Council

45. Customer assistance programmes

a) If a leakage is on the side of the consumer the consumer is responsible for the payment of the full account.

b) The consumer has the responsibility to control and monitor his/her consumption

c) The consumer is responsible for private repairs of water pipes behind the meter.

d) Abnormal water leakage will be dealt with as follows:

e) The Municipality may repair the water leakages at cost for non-indigent households and at no-cost for indigent households, or

ii) A customer will qualify for water leakage discount upon application within 30 days after a leak has been repaired and:-

- a) The leak was under the surface and/or not easily detectable on the surface;
- b) The leak was repaired within 72hours since its detection
- c) The customer applied only once in a cycle of 24 months for a discount; and
- d) Suitable proof of repair has been submitted containing the following information:-
 - Date of repair
 - Confirmation that the leak was under surface and/or not easily detectable on the surface.
- e) Discount for households' usage will be calculated over the period of the leak that was present and will be equal to the consumption above the normal consumption of the customer at the 0-6 kl tariff.

NOTES TO THE PAYMENT TABLE

1. Debtors must never feel that they have lost control of their account
2. The most financially viable arrangement must be negotiated at all times.