



Ephraim Mogale Local Municipality

**2016/17 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

BUDGET RELATED POLICIES

EPHRAIM MOGALE LOCAL MUNICIPALITY

BUDGET RELATED POLICIES

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Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

CREDIT CONTROL AND DEBT COLLECTION POLICY

CREDIT CONTROL AND DEBT COLLECTION POLICY

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PREAMBLE

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

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

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

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

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

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

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority, respectively.

Adoption of a Credit Control and Debt Collection Policy

The Municipality hereby adopted a Credit Control and Debt Collection Policy in terms of section 96(b) of the Local Government: Municipality Systems Act, No. 32 of 2000.

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DEFINITIONS

In this policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, has that meaning, unless the context, indicates otherwise-

“Arrangement”

Means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.

“Arrears”

Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

“Account”

Means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider, and which account may or may not include assessment rates levies;

“Authorized Representative”

Means a person or instance legally appointed by the Council to act or to fulfill a duty on its behalf;

“Billing date”

Means the date upon which the monthly statement is generated and debited to the customer's account.

“Business Premises”

Means premises utilized for purposes other than residential and excludes the following: -

- (a) hospitals, clinics and institutions for mentally ill persons which are not operated for gain;
- (b) museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and are open to the public, whether admission fees are charged or not;
- (c) sport grounds used for the purpose of amateur sports and any social activities which are connected with such sports;
- (d) any property registered in the name of an institution or organisation which, in the opinion of the Council, Performs charitable work;
- (e) any property utilised for bona fide church or religious purposes.

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“Chief Financial Officer”

Means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.

“Credit Control”

Means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

“Council”

Means the municipal council of Municipality or any duly authorized Committee, political office bearer or official of the said Council.

“Customer”

Means any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

“day / days”

Means calendar days, inclusive of Saturdays, Sundays and public holidays.

“defaulter”

Means any Person who owing the Council arrear monies in respect of rates and / or service charges;

“Due date” in relation to –

- (a) rates due in respect of any immovable property, means the thirtieth(30) day of September of the financial year for which such rate is made, or any other date determined by council by notice in the Provincial Gazette, and
- (b) in respect of service charges due in respect of any immovable property, means the date for payment indicated on the account.
- (c) Should such day fall on a Saturday, Sunday or public holiday the due date shall be the next working day.

“Immovable property” includes –

- (a) an undivided share in immovable property, and
- (b) any right in immovable property.

“Implementing Authority”

Means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.

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“Indigent debtor”

Means

- (a) the head of an indigent household:
 - (i) who applied for and has been declared indigent in terms of Council’s Indigent Support Policy for the provision of services from the municipality; and
 - (ii) who makes application for indigent support in terms of Council’s Indigent Support Policy on behalf of all members of his or her household;
- (b) orphaned minor children duly represented by their legal and / or defacto guardians.

“Indigent Support Programme”

Means a structured programme for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Council’s Indigent Support Policy.

“Indigent Support Policy”

Means the Indigent Support Policy adopted by the Council of the Municipality.

“interest”

Means a charge levied on all arrear monies with the same legal priority as service fees and calculated at a rate determined by Council from time to time.

“Month”

Means a calendar month.

“Monthly average consumption”

Means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve months.

“Municipal pay point”

Means any municipal office in the area of jurisdiction of the municipality designated by Council for such purposes, or any such other places as the Chief Financial Officer may from time to time designate.

“Municipal Services”

Means services provided either by the Municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement.

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“Municipality”

Means the Municipality of Ephraim Mogale Local Municipality

“Municipal Manager”

Means the Municipal Manager of the Ephraim Mogale Local Municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with concurrence of the Council.

“Occupier”

Means the person who controls and resides on or controls and otherwise uses immovable property, provided that –

- (a) the husband or wife of the owner of immovable property which is at any time used by such owner and husband or wife as a dwelling, shall be deemed to be the occupier thereof;
- (b) where a husband and wife both reside on immovable property and one of them is an occupier thereof; the other shall also be deemed to be an occupier thereof.

“Owner”

In relation to immovable property means-

- (a) The person in whom is vested the legal title thereto provided that –
 - (i) The lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
 - (ii) The occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) If the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;

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(c) If the owner is absent from the Republic or his address is unknown to the Municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or

(i) if the Municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

“Premises”

Includes any piece of land, the external surface boundaries of which are delineated on:

- (a) A general plan or diagram registered in terms of Land Survey Act,(9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or-
- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

“Prescribed”

Means prescribed by this policy and where applicable by Council or the Municipal Manager.

“Prescribed debt”

Means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969.

“Person”

Means a natural and juristic person, including any department of state, statutory bodies or foreign embassies

“Rates”

Means any tax, duty or levy imposed on property by the municipality.

“Registered owner”

Means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no. 47 of 1937.

“Responsible person”

Means any person other than the registered owner of an immovable property who is legally responsible for the payment of municipal service charges.

“Service charge”

Means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.

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“Service delivery agreement”

Means an agreement between the Municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000.

“Sundry debtor accounts”

Means accounts raised for miscellaneous charges for services provided by the Municipality or charges that was raised against a person as a result of an action by a person and which was raised in terms of Councils policies, bylaws and decisions.

“Supervisory Authority”

Means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of Municipal Systems Act 32 of 2000.

“Tariff”

Means any rate, tax, duty and levy or fee which may be imposed by the Municipality for services provided either by itself or in terms of a service delivery agreement.

“Tariff Policy”

Means a tariff policy adopted by the Council in terms of Section 74 of Local Government: Municipal Systems Act 32 of 2000.

“User”

Means the owner or occupier of a property in respect of which municipal services are being rendered.

3. PRINCIPLES

The principles supported in the policy are:-

- 3.1 The administrative integrity of the municipality must be maintained at all times.
- 3.2 The policy must have the full support of all Councilors.
- 3.3 Councilors must have full knowledge of the implementation and enforcement of the policy.
- 3.4 The Executive Mayor oversees and monitors the implementation and enforcement of this policy.
- 3.5 The Municipal Manager implements and enforces this policy.
- 3.6 The Municipal Manager may delegate the implementation and enforcement of this policy to the Chief Financial Officer.
- 3.7 Consumers must be informed of the contents of this policy.

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- 3.8 Consumers must apply for services from Council by the completion of the prescribed application form.
- 3.9 Consumers must receive regular and accurate accounts that indicate the basis for calculating the amounts due.
- 3.10 Consumers must pay their accounts regularly by the due date.
- 3.11 Consumers are entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.12 Consumers are entitled to an efficient, effective and reasonable response to appeals, and should not suffer any disadvantage during the processing of a reasonable appeal.
- 3.13 Debt collection action will be instituted promptly, consistently, and effectively without exception and with the intention of proceeding until the debt is collected.

4. SUPERVISORY AUTHORITY

- 1. The Executive mayor oversees and monitors –
 - (a) The implementation and enforcement of the municipality's credit control and debt collection policy.
 - (b) The performance of the Municipal manager in implementing the credit control and debt collection policy.
- 2. The Executive Mayor shall at least once a year, cause an evaluation of review of the credit control and debt collection policy to be performed in order to improve the efficiency of the Municipality's credit control and debt collection mechanisms, processes and procedures and to the implementation of this policy.

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3. The Executive Mayor shall submit a report to council regarding the implementation of the credit control and debt collection policy at such intervals as Council may determine.
4. The Municipal manager:-
 - (a) Implements and enforces the credit control and debt collection policy.
 - (b) Is accountable to the Executive Mayor for the enforcement of the policy and shall submit a report to the Executive mayor regarding the implementation and enforcement of the credit control and debt collection policy at such intervals as may be determined by Council.
 - (c) Must establish effective administration mechanisms, processes and procedures to collect money that is due and payable to the Municipality.
 - (d) Where necessary, propose to the Executive Mayor with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures.
 - (e) Establish effective communication between Council and account holders with the aim of keeping account holders abreast of all decisions by Council that may affect account holders.
 - (f) Establish customer service centres, which are located in such communities as determined by Council.
 - (g) Convey to account holders information relating to the cost involved in service provision, the reasons for payment of services are utilized, and may where necessary, employ the services of local media to convey such information.
- 5 The Municipal Manager may, in writing, delegate any of the powers entrusted or delegated to him or her in terms of Council's credit control and debt collection by-law to the Chief Financial Officer.

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6 A delegation in terms of subsection (5) –

- (a) Is subject to any limitations or conditions that the Municipal Manager may impose;
- (b) May authorize the Chief Financial Officer to, in writing, sub-delegate power to another official of the municipality;
- (c) Does not divest the Municipal Manager of the responsibility concerning the exercise of the delegated power.

7 The Chief Financial Officer shall be responsible to the Municipal Manager for the implementation, enforcement and administration of this policy, and the general exercise of his powers in terms of this policy.

5 APPLICATION FOR THE PROVISIONS OF MUNICIPAL SERVICES

- (1) A consumer who requires the provision of municipal services must apply for the service from Council.
- (2) The application for the provision of municipal services must be made by:
 - 2.1 The registered owner of an immovable property.
 - 2.2 An agent of the owner of an immovable property upon submission of letter of authority or proxy from the registered owner of an immovable property's application will be considered wherein,
 - 2.3 The municipal account shall be in the name of the registered owner of the immovable property.
- (3) Council will not entertain an application for the provision of municipal services from a tenant.

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- (4) The only exception to (2) above is that businesses with lease agreements to lease properties from the Municipality and Government departments will be allowed to open an account in the name of the lessee of the property.
- (5) An agent may with a proxy open an account in the name of the owner taking into consideration the provisions of (2) above.
- (6) The application for the provision of municipal services must be made in writing on the prescribed application form that is provided by Council.
- (7) By completing the prescribed application form for the provision of municipal services the consumer of services enters into an agreement with the Council and the consumer must note:
 - 7.1 The content of the municipality's credit and debt collection policy(A copy of the policy will be provided to the consumer upon request)
 - 7.2 The provision of the Municipal Systems Act in regards to the rights of access to the property and other applicable prescribes of law.
- (8) The agreement with Council makes provision for the following:-
 - (a) An undertaking by the owner that he or she will be liable for collection costs including administration fees, interest, penalty fees and any other legal costs occasioned by his or her failure to settle accounts by the due date;
 - (b) An acknowledgement by the owner/ account holder that accounts will become due and payable by the due date notwithstanding the fact that the owner/ account holder did not receive the account; and
 - (c) That the onus will be on the owner/ account holder to ensure that he or she is in possession of an account before the due date.
 - (d) The undertaking by the Municipality that it shall do everything in its power to deliver accounts timeously.

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- (9) The application for the provision of municipal services shall be made at least ten (10) days prior to the date on which the services are required to be connected.
- (10) On receipt of the application for provision of municipal services, Council will cause the reading of metered services linked to the property to be taken on the working day preceding the date of occupation.
- (11) The first account for services will be rendered after the first meter reading cycle to be billed following the date of signing the service agreement.

6 DEPOSITS AND GUARANTEES

- (1) On application for the provision of municipal services the prescribed consumer deposit shall be paid.
- (2) A guarantee in lieu of a deposit will be accepted on application for the provision of municipal services by a business in terms of the prevailing conditions determined by Council at the time of the application.
- (3) Existing consumers moving to a new address are required to pay the prescribed consumer deposit on application for the provision of municipal services at the new address.
- (4) The minimum deposit payable is determined annually by Council and is contained in the tariff book produced annually.
- (5) The consumer deposit paid on application for the provision of municipal services may be increased or decreased, upon written notice to consumers, if found that the deposit is not equal to the estimated charges for the supply of electricity for a period of three (3) months.

(6) Council may increase the amount of the deposit required from the owner of a property, where the electricity supply has been disconnected at least twice during the preceding period of twelve months, after the owner of the property was give notice of Council's intention to increase the deposit.

(7) On termination of the supply of services the amount of the deposit less any payment due to Council will be refunded to an account holder, provided that payments due are less that the deposit paid, and that the account holder has provided a forwarding address.

7 ACCOUNTS AND BILLING

(1) Council provides all consumers of municipal services monthly with a consolidated account for all services rendered.

(2) The consolidated account can include property rate charges.

(3) Accounts are produced on a monthly basis in cycles of approximately 30 days.

(4) All accounts rendered by Council shall be payable on the due date as indicated on the account.

(5) Amounts on accounts except on interest and Vat, which remain unpaid after the due date, shall attract interest on arrears irrespective of the reason for non-payment.

(6) All accounts are payable by the due date regardless of the fact that the person responsible for the payment of the account has not received the account. The onus is on the account holder to obtain a copy of the account before the due date.

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(7) Council bills an owner of a property for the following rates and service charges:-

- a) Property rates, refuse and sewerage charges are billed annually or monthly as preferred by customers.
- b) Council's preference is that property rates, refuse and sewerage charges to be charged monthly. Due to historical legislation and the absence of a Property Rates Policy, these charges are been charged monthly and annually.
- c) Property rates, refuse and sewerage charges charged annually are billed on the July account of each year and the due date for the payment of these charges is 30 September of each year.
- d) Property rates, refuse and sewerage charges charged monthly are billed on the monthly accounts and the due date for the payment of the charges will be as indicated on the accounts.
- e) The tariffs to calculate the property rates, refuse and sewerage charges are determined annually and approved by Council and are contained in the tariff book produced by Council.

(B) **Electricity Charges**

- (i) Consumption of electricity are billed in terms of metered consumption.
- (ii) Monthly accounts are rendered for electricity consumption and the due date for the payment of the accounts will be the date as indicated on the account.
- (iii) The tariffs to calculate the electricity charges are determined annually as per NERSA guideline and approved by both NERSA and Council and are contained in the tariff book produced by Council.

(C) **Sundry Debtor accounts**

- (i) Sundry debtor accounts are raised for miscellaneous charges for services provided by Council or charges that are raised against a debtor as a result of an action by a debtor or person which necessitate a charge to be raised by Council against the debtor or person in terms of Council's policies, by-laws and decisions.
- (ii) The sundry debtor account is included in the monthly consolidated account produced by council.

(D) **Final accounts**

On receipt of an application for termination of services the final readings of metered services will be taken, the accounts finalized, the consumer deposit will be appropriated and if a debit balance remains the balance will be payable by the consumer and if a credit balance remains the balance will be refunded to the consumer, on condition that the consumer has provided Council with a forwarding address/ banking details.

(E) **Due date**

The due dates for the payment of accounts in the various areas of the Municipality is as follows: -

| | |
|------------------------|-------------------------|
| Cycle no 1 areas | 7'th day of each month |
| Cycle no 2 areas | 7'th day of each month |
| Cycle no 15.....areas | 15'th day of each month |

8 METERING OF MUNICIPAL SERVICES

- (1.) Council may introduce various metering equipment and may encourage consumers to convert to a system, which is preferred by Council when Council considers this to be beneficial to its functioning and operations.
- (2.) Council's preferred metering system to measure electricity is the prepayment electricity metering system for domestic consumers and for certain businesses.
- (3.) Electricity consumption is measured with credit and prepayment electricity meters.
- (4.) The following applies to the reading of credit meters: -
 - (a) Credit electricity meters are read at in cycles of approximately 30 days.
 - (b) If for any reason the credit electricity meters cannot be read, Council will render an account based on estimated consumption.
 - (c) The account based on estimated consumption will be adjusted in the subsequent account based on the actual consumption.
 - (d) The consumer is responsible to ensure access to metering equipment for the purpose of obtaining meter readings for billing purposes.
 - (e) Consumers can for reasons of non-accessibility to their properties by meter readers, provide Council monthly with meter readings for billing purposes, provided that an audit reading can be obtained by Council once every six months and provided that

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a final reading can be obtained should the consumer vacate the property.

- (f) If any calculation, reading or metering error is discovered in respect of any account rendered to a consumer –
 - (i) the error shall be corrected in subsequent account,
 - (ii) any such correction shall only apply in respect of account for a period of three years preceding the date on which the error in the account was discovered,
 - (iii) the correction shall be based on the tariffs applicable during the period, and
 - (iv) the application of this section shall not prevent a consumer from claiming overpayment for any longer period where the consumer is able to provide the claim in the court of law.
 - (g) When a consumer vacates a property and a final reading of The meter is not possible, an estimation of the consumption may be made and the final account rendered accordingly.
- (5.) The following applies to prepayment metering: -
- (a) Prepayment electricity are purchased at prepayment vending points for consumption after the date of purchase.
 - (b) Amounts tendered for the purchase of prepayment electricity will not be refunded after the prepayment meter token has been produced.
 - (c) On request of the consumer copies of the previous prepayment meter tokens will be produced.
 - (d) Credits remaining in the prepayment meter will not be refunded when a premises is vacated by a consumer.
 - (e) Council shall not be liable for the reinstatement of credit in prepayment meter lost due to tampering with, or the incorrect use or the abuse of prepayment meters.
 - (f) Council will apply all the debt collection functions available on the prepayment system to collect all arrear debt on the account of the debtor.
 - (g) Council will appoint vendors for the sale of prepayment electricity and does not guarantee the continued operation of any vendor.
- (d) The cost of the repairs shall be for the account of the consumer.

9 PAYMENT OF ACCOUNTS

- (1.) All accounts rendered by Council are due and payable on or before the due date as indicated on the account.

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- (2.) All payments, whether made by cash, cheque, stop order, electronic payments or payments made through agents must be receipted by Council by the close of business on the due date.
- (3.) Accounts rendered by Council can be paid at any Municipal cashier office and any other pay point as determined by Council, from time to time.
- (4.) The payment methods and facilities supported by Council, can be used to make payments on accounts.
- (5.) Payments received in respect of rates and service charges will be allocated by Council entirely within its discretion, on the account of the debtor.
- (6.) Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account.
- (7.) An official receipt issued by Council will be the only prove of payments made.
- (8.) Cheques received for the payment of an account and which a bank Dishonoured, will result in the account of the debtor being debited with the amount of the cheque and dishonoured cheque cost as per the charge levied by the bank against the municipality. The debtor will not be permitted to make payments to Council with a cheque in future in instances where the client's cheques were dishonoured more than twice.

10 INTEREST ON ARREAR DEBT

- (1.) Amounts on accounts excluding on **Interest and Vat**, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-payment.
- (2.) The following categories of arrear debt shall not attract interest on arrears:
 - (a) Indigent debt
 - (b) Closed accounts
 - (c) Deceased estates
 - (d) Insolvent estates
 - (e) Debtors under administration (administration portion only)
 - (f) **Interest**
 - (g) **Vat**
- (3.) No interest shall be charged on any outstanding amounts in respect of which an agreement had been concluded for the payment by way of installation thereof, provided the instalment is paid in full by the due date.

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- (4.) Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of a month shall be deemed to be a month.
- (5) The interest rate to be charged shall be prime +2%

11 ENQUIRIES AND APPEALS

- (1.) Any aggrieved person may address a grievance or query regarding charges for municipal services to the Chief Financial Officer in writing or may visit any customer care office provided by Council.
- (2.) The aggrieved person shall clearly state the basis of his or her dissatisfaction and the desired resolution.
- (3.) The lodging of an inquiry shall not relieve the aggrieved person of the responsibility to settle his or her account. An interim payment similar to an average account must be paid by the due date pending finalization of the enquiry.
- (4.) Council will respond to all inquiries from consumers in writing within sixty days from the lodging of the inquiry.

12. DEBT COLLECTION

- (1.) The Chief Financial Officer is authorized to institute agreed upon debt collection mechanisms without exception and with the intention to proceed until the debt is collected.
- (2.) All accounts rendered by Council shall be paid on the due date as indicated on the account.
- (3.) Amounts on accounts, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-repayment.
- (4.) Amounts on accounts, which unpaid after the due date, will be subject to debt collection action.

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(5.) Debt collection action will be taken on the total amount outstanding on the account after the due date. The total amount outstanding includes property rates, refuse, sewerage, water, electricity, fire levy and sundry debtor charges.

(6.) The debt collection action to be taken will be as follows: -

- (a) Disconnection of electricity supply
 - (i) Council shall disconnect the electricity supply to a property if the account rendered by Council is not paid by the due date as indicated on the account.
 - (ii) Disconnection of electricity supply will be for the total amount outstanding on the account, not just for the electricity portion of the account.
 - (iii) Disconnection of electricity supply for the non-payment of an account will be during the 30 day period following the due date.
 - (iv) All accounts outstanding after the set due date will be charged a penalty fee which the client is liable to pay regardless of whether a disconnection was done or not.
 - (v) Services will only be reconnected or restored once there is proof that the account has been settled in full and such reconnection will be done within 24 hours.
- (b) Block from the purchase of electricity
 - (i) Council will block a consumer from the purchase of electricity on the prepayment electricity system if the account rendered by Council is not paid by the due date as indicated on the account.
 - (ii) The block from purchase of electricity will be for the total amount outstanding on the account, not just for the electricity portion of the account.

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- (iii) The block from purchase of electricity for the non-payment of an account will be during the 30 day period following the due date.
 - (iv) Non-indigent consumers with arrears will be blocked on a block type that will require the consumer to pay the amount due to Council before prepayment electricity can be purchased.
 - (v) Low income non-indigent consumers with arrears living in a property with a certain municipal value, which will be determined by Council, will be blocked on a block type that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 50% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**
 - (vi) Consumers will be placed on a total block from the purchase of electricity for the following reasons and will only be permitted to purchase electricity after a visit to Council's offices by the consumer to attend to the reason for blocking:
 - When a consumer moved into a property and failed to apply for services from Council and failed to pay the required consumer deposit.
 - When the disconnection of electricity, blocked from the purchase of electricity and the restriction of water flow to the property did not have the desired effect to persuade the consumer to pay the arrear debt.
- (i) According to Sect 28 of the Municipal Rates Act, Act 6 of 2004, if an amount due for rates levied in respect of a property is unpaid by the owner of the

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property after the date determined for the payment by the municipality, the municipality may recover the amount in whole or in part from the tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. The municipality may recover an amount only after it has served a written notice on such tenant or occupier. The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable, but not yet paid, by such tenant or occupier to the owner of the property.

- When the disconnection of electricity supply or blocked from the purchase of electricity on the prepayment system did not have the desired effect to persuade the consumer to pay the arrear debt.

(d) Handover and debt to debt collectors

- (i) Debt that could not be collected by the disconnection of electricity supply to a property, blocked from the purchase of prepayment electricity and that are 60 days old will be handed over to debt collectors.
- (ii) Handover to debt collectors is pre-legal action and if the debt collectors are unsuccessful in collecting the debt, the debt will be handed over to attorneys for legal collection.
- (iii) The following types of debt will be handed over to the debt collectors: -
 - Debt that is 60 days and older
 - The amount of the debt per debtor to be handed over is the amount that will be determined from time to time.

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- Debt that relates to non-indigent debtors living in RDP houses.
 - Low income non-indigent consumers living in a property with a certain municipal value that generally relates to consumers with low income.
 - Debt for which no payment arrangements were made.
- (iv) The following types of debt will **not** be handed over to debt collectors.
- Debt of indigent debtors that are registered as indigent at the date of handover.
 - Government debt
 - Debt that is been paid off as per arrangement with debtor.
 - Debt that is under query
- (vi) The process of collecting debt by debt collectors includes:-
- The phoning of debtors
 - Sending out demand letters
 - Making arrangement with debtors to pay off debt in terms of Council's credit control and debt collection policy.
 - Making follow-ups with debtors
- (e) Handover of debt to Attorneys for legal collection
- (i) Debt that could not be collected by debt collectors and debt that requires urgent legal attention will be handed over to attorneys for legal collection.
- (ii) The following types of debt will be handed over to attorneys:-
- Debt that is 90 days and older
 - The amount of debt per debtor to be handed over is

the amount that will be determined from time to time.

- Debt for which no payment arrangement were made
- Debt that relates to non-indigent debtors living in RDP houses. The legal process will be proceeded with as far as sale of movable property.

(iii) The following types of debt will **not** be handed over to attorneys:-

- Debt of indigent debtors that are registered as indigent at the date of handover.
- Debt of debtors living in a property with a certain municipal value, that will be determined by Council and which value, that will be determined by Council and which value includes the value of the site and improvements.
- Debt that is been paid off as per arrangement with the debtor.
- Debt that is under query

(iv) The process of legal collection includes:-

- Final demands for payment to debtors.
- Emolument attachment orders on debtor's salaries.
- Summons issued for debt to be paid.
- Default judgement be obtained against the debtor.
- The attachment of moveable properties and sale in execution of moveable property.
- The attachment of immovable property and the sale of immovable property.

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(f) Withholding or offsetting grants-in-aid.

Council provides annual grants-in-Aid to Institutions on application. If an institution is in arrear with its services account, then Council Will withhold the grant-in-Aid or grant-in-aid will be off set against the arrear debt with Council.

- (g) Institutions or individual persons, who are in contract with Council to provide a service, and who are in arrear with their services account, will have payments to them withheld by Council until the arrear debt with Council is settled or payment will be off set against the arrear debt with Council.

(e) Section 118 of Local Government: Municipal Systems Act No 32 of 2000.

- (i) Council will issue a certificate required for the transfer of immovable property in terms of Section 118 of Local Government: Municipal Systems Act No 32 of 2000, which is lodged with Council in the prescribed manner, only when all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.
- (ii) Debt older than two years on the property irrespective of whether the owner of the property had accumulated the debt will also have to be paid before any clearance can be issued and the transfer of the property by the owner can be done.
- (iii) If the owner refuses to pay the debt which is older than two years, then Council will apply to a competent Court for an order in the following terms:-
- In the case where there is already a judgement for the payment of the amount, an order that the judgement debt be paid out of the proceeds of the sale, before the mortgage debt is settled.

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- In case where there is no judgement debt, for an order staying transfer of the property pending the finalisation of a civil action to be instituted against the person who is in law liable for the payment of the outstanding debt.
- The above action must be taken before the property is transferred as the statutory lien created by Section 118(3) of Act only endures until the property has been transferred and in terms of Section 118(5) of the Act can the new owner of the property not be held liable for the debt that became due before a transfer of a residential property took place.

(iv) Other debt collection methods

The debt collection methods mentioned in paragraph (a) to (h) above are not an exhaustive list of methods that can be applied to collect debt and any other methods that can be initiated, will be implemented with the consent of Council, to collect debt.

(7) Debt Collection Cost

Any costs, which includes collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt will be debited to the account of the defaulting debtor.

13. ARRANGEMENTS TO PAY ARREAR DEBT

- (1) A consumer who cannot pay their arrear debt may enter into an arrangement to pay the account over an extended period of time limited to five times in a financial year.
- (2) If the outstanding balance has been overdue for a period of more than twelve months, 80% of the total outstanding should be paid as an initial payment, and the remainder must be payable within six months depending on the amount concerned on which the CFO will use his/her discretion on the number of months it must be paid off.
- (3) If the total outstanding balance has been overdue for a period less than

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twelve months, 40% of the total outstanding amount must be paid as an initial payment, and the remainder must be settled within a period of three months depending on the amount remaining.

- (4) No verbal arrangements will be accepted by Council, only written arrangements on a prescribed format as provided by Council will be accepted.
- (5) No arrangements will be entertained by Council on debt that has been handed over to debt collectors.
- (6) The consumer, by signing the arrangement agreement to payoff arrear debt acknowledges the following: -
 - (a) That debt is owed to Council
 - (b) That on default to honour the arrangement agreement, interest on arrears will be charge on the amount due, electricity supply will be disconnected to the property of the consumer or the consumer will be blocked from the purchase of electricity on the prepayment system and / or the water supply to the property of the consumer will be restricted and legal proceedings will be instituted to collect the debt.
 - (c) That the consumer will be liable for all cost, which includes legal costs, incurred to collect the debt.

(7) Dishonoured arrangement

In the event that an arrangement has been dishonoured, all monies owing to the municipality, plus the current monthly account has to be paid in full. If the required payments are not made, debt collection action will be instituted immediately.

(8) Arrangements by Indigent consumers

- (a) Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- (b) Indigent consumers are required to pay their current monthly account, which is the amount after indigent subsidy has been deducted, regularly every month by the due date.
- (c) Indigent consumers with arrears will be blocked on a block type on

the prepayment electricity system that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity, 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**

(9) Arrangements by low income non-indigent consumers.

- (a) A low income non-indigent consumer is a consumer living in a property with a certain municipal value, that will be determined by Council, and which property generally relates to consumers with low income.
- (b) Low-income non-indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- (c) Consumers are required to pay their current monthly account regularly every month by the due date.
- (d) Consumers with arrears will be blocked on a blocked type that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 50% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt.

(10) Arrangements by non-indigent consumers

- (a) The arrangement by non-indigent consumers must include the payment of the current monthly account **plus** the payment of arrear debt.
- (b) The arrear debt can be paid as follows: -
 - (i) Income group R1500 – R5000.
Over a maximum period of 36 months, with interest provided payments are made monthly by the due date.
 - (ii) Income group R5000 and more
Over a maximum period 24 months, interest free provided payments are made monthly by the due date.

(11) Arrangements by businesses

- (a) At the date of the arrangement a minimum of 50% of the capital arrear debt must be paid immediately.
- (b) The balance of the debt, which includes the capital amount and interest, may be paid over a period of 6 months, interest free, provided payments are made monthly by the due date.
- (c) The total monthly instalment must include the current monthly charges **plus** the amount to pay off arrear debt.
- (d) Arrangement by businesses to pay off arrear debt will only be entertained for debt on which debt collection actions have been taken and which actions are in an advance stage.
- (e) Failure to maintain the arrangement will result in interest being reversed and full debt collection will be implemented, with no possibility of reprieve.

(12) Arrangements on partially collectable debt

- (a) Partially collectable debt can be described as debt that cannot be collected in full through application of debt collection processes and that it is in the best interest of Council to accept part payment of the debt in full and final settlement.
- (b) All the debt collection processes must have been followed and if at the sale-in-execution of the property no interest is shown by prospective bidders to purchase the property, offers for the purchase of the property must be obtained and the relevant attorney must submit a report to Council.
- (c) The market value of the property must be obtained and a report must be submitted to Council on the offer to purchase that was received.
- (d) Council must make a decision to accept the offer for full and final settlement of the debt and by accepting the offer

Council must also resolve to write off the remaining debt on the property as irrecoverable.

14. INDIGENT DEBTORS

- (1) An account holder (consumer) may apply, in the prescribed manner, to be regarded as an indigent debtor provided that the following conditions are applied: -
 - (a) That the gross household income must not exceed the poverty threshold value as determined by Council from time to time.
 - (b) That the applicant should not own more than one fixed property.
 - (c) That the applicant must be a resident on the property.
 - (d) That the property of the indigent applicant may be inspected annually to determine the validity of the application.
 - (e) Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal to the Chief Financial Officer within a period of ten (10) days from the date on which the aforesaid decision was communicated to the applicant.
 - (f) Any person who has been declared indigent shall be entitled to indigent subsidies for basic services on a basis determined by Council from time to time and in accordance with the National policy on indigents.
- (2) Arrangements by indigent debtors to pay their debt to Council are as follows: -
 - (a) Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
 - (b) Indigent consumers are required to pay their current monthly account, which is the amount after indigent subsidy has been deducted, regularly every month by the due date.
 - (c) Indigent consumers with arrears will be blocked on a block type on the prepayment electricity system that will require the

consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 50% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**

- (3) Debt of indigent debtors will **not** be handed over to debt collectors and / or to attorneys to collect their debt, provided that the debtors are registered as indigent at the date of handover.
- (4) Debt of indigent debtors will not attract interest on arrears.
- (5) The water flow to the properties of indigent debtors will be restricted when the consumption of water is more than the 6kl free water provided by Council and their accounts remains unpaid.
- (6) Debt of deceased indigent estates –
 - (a) Until the property is transferred from the deceased estate to the new owner all the services from the account of the deceased owner as at the date of death will be transferred to the account of the occupant, which must include the valuations of the property in order to charge the occupant for property rates.
 - (b) The occupant of the property must sign an agreement in which the occupant agrees to pay all the rates and service charges that are to be raised on the property that is occupied.
 - (c) The following circumstances must prevail to transfer the services to the account of the occupant:-
 - (i) The house must be a government funded RDP house.
 - (ii) The occupant of the house must be a registered indigent consumer with Council and be receiving an indigent subsidy from Council.
- (7) Debt of absconded owners –
 - (a) The occupant of the property must sign an agreement in which the occupant agrees to pay all property rates and service charges that are to be raised on the property of the absconded

registered owner's property.

- (b) The rates and service charges only be transferred to the occupant of the property if the property is a RDP funded property.

15. MUNICIPAL STAFF – PAYMENT OF ARREARS

- (1) Section 10 of schedule 2 of the Local Government: Municipal System Act, No. 32 of 2000 provides the following: -
“A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than three (3) months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period.”
- (2) Arrear debt relating to rates and service charges will be collected from staff in terms of collection arrangements approved by the Municipal Manager from time to time.

16. ADMINISTRATION ORDERS – PAYMENT OF ARREARS

- (1) A person can apply for the administration of its estate in terms of section 74 of the Magistrates Court Act, 1944.
- (2) On notification that the order had been granted, Council will manage the debt that is part of the administration order separately to the current account.
- (3) The debtor will be responsible for the payment of the current monthly account and if the debtor defaults on the payment of the account, debt collection action will be implemented.

17. WRITE OFF OF IRRECOVERABLE DEBT

- (1) The objective to write off irrecoverable debt is to have a debt book that does not reflect irrecoverable debt.
- (2) Council's approval must be obtained to write off irrecoverable debt.
- (3) In the submission to Council to write off debt Council must be provided with details of –

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- (a) The debt collection procedures implemented to recover the debt and the costs incurred as a result thereof;
 - (b) The reasons why the debt collection procedures were not successful and had to be abandoned;
 - (c) The debtors financial position, if known;
 - (d) Reasons why the debt or a portion thereof is regarded as being irrecoverable.
- (4) Debt can be regarded as irrecoverable under the following circumstances: -
- (a) Debt that was subjected to all the debt collection procedures provided for in this policy and still was unsuccessful to collect the debt and where the debt collection process had to be abandoned.
 - (b) Debt of which the cost to collect debt has exceeded the debt amount.
 - (c) Debt of indigent debtors that cannot be collected after the implementation of the debt collection procedures applicable to indigent consumers provided for in this policy.
 - (d) Small amount debt of which the cost to collect the debt is more than the debt amount.
 - (e) Debt of deceased estates –
 - (i) Claims must have been submitted to the estate of the deceased.
 - (ii) The executor of the estate advised Council in writing that there are no funds in the estate.
 - (f) Debt of debtors who have emigrated –
 - (i) Debt collection procedures must have been implemented.
 - (ii) Council was informed by a reliable source that the debtor had emigrated.
 - (iii) The emigrating authorities had confirmed that the debtor had emigrated.

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- (g) Debt of insolvent estates –
 - (i) Debt collection procedures must have been implemented.
 - (ii) Debt must be older than three years.
 - (iii) Debt must comply with the provisions of section 10 Chapter III of the Prescription Act No 68 of 1969.
 - (iv) Claims must have been submitted to the liquidators of the insolvent estate.
 - (v) The liquidators of the insolvent estate must advise Council in writing that there are no funds in the estate.
 - (vi) Council received dividends on the amount owing and was advised that the estate had been finalized and there will be no further dividends forthcoming.
- (5) The annual Revenue Budget will include an amount to provide for the amount to be written off.

18. PROVISION FOR BAD DEBT

- (1) The objective of the provision for bad debt is to make a realistic provision annually in the Revenue budget to cater for charges raised in terms of the budget that cannot be collected.
- (2) The calculation of the provision for bad debt will be based on an extract of Council's debtors book as at the last day of the financial year.
- (3) The extract of Council's debtors book must reflect detailed ageing of the debt within the following debt categories: -
 - (a) Debt per service
 - (b) Debt per type of debtor
- (4) A provision for bad debt amount will be calculated in terms of each of the abovementioned categories and will be submitted to the Chief Financial officer for consideration of the provision amount to be included in the Revenue Budget.
- (5) The provision for bad debt amount will be an accumulative expression

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of a percentage of the amount of the debt occurrence at a certain ageing category and an amount that represents an accumulation of individual debt amounts.

(6) When calculating the provision for bad debt in terms of the debt per service category the following must be considered: -

- (a) The probability of the ageing of the debt.
- (b) The sliding scale percentage that will be applied on the age of the debt commencing with debt that is 150 days old. The percentage must be increased when progressing to the oldest debt occurrence. The probability of collecting the debt in the oldest occurrence will be zero, therefore the provision must be 100%.
- (c) The probability of recovery between the different types of services. The probability of recovering property rates versus the recovery of other services in the same ageing occurrence will be higher, as property rates is a tax and only prescribes after 30 years, in terms of the relevant legislation.
- (d) The payment trend of each of the services billed.

(7) When calculating the provision for bad debt in terms of the debt per type of debt the following must be considered:-

- (a) The probability of the ageing of the debt.
- (b) The debt as per the following debtor groups identified:-
 - (i) Domestic
 - (ii) Business
 - (iii) Government departments tantamount
 - (iv) Municipal staff and Councilors
 - (v) Other debtors.

Note – The types of debtor that make up the above groups will be those as detailed in the financial system at the time of the date extraction.

(c) The debt on the following debt groups are to be excluded from the provision calculation, as the debt is deemed to be collectable: -

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- (i) Government departments.
- (ii) Municipal staff and Councilors
- (d) The debt on the following debt groups are to be fully provided for in the provision calculation, as the debt is deemed to be not collectable.
 - (i) Indigent debtors.
 - (ii) Debtors under administration.
 - (iii) Insolvent and liquidated estates.
 - (iv) Deceased indigent estates
 - (v) Informal settlements
 - (vi) Debt that has prescribed
 - (vii) "RDP" houses.
 - (viii) Uncollectable business debt after legal action.
 - (ix) Uncollectable domestic debt after legal action.
- (e) The sliding scale percentage that will be applied on the age of the debt commencing with debt that is 150 days old. The percentage must be increased when progressing to the oldest debt occurrence. The probability of collecting the debt in the oldest occurrence will be zero, therefore the provision must be 100%.
- (f) When determining the provision percentages on domestic debtors the demographics of the city must be taken in to account, as the probability of recovery of debt will higher in the high income suburbs as compared to the recovery of debt in the low income suburbs.
- (g) The payment trend of each of the debtor groups.

19. CERTIFICATES REQUIRED FOR TENDERS

- (1) A person or an institution reacting to a tender published by Council or wishing to enter into a contract to either provide services or goods to Council must produce a certificate, on the prescribed form, which states that regular payment of rates and services accounts are maintained and that the account are currently up to date.

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- (2) A person who fails to provide such a certificate shall be disqualified from the tendering process.

20. THEFT AND FRAUD

- (1) The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- (2) The Council may approve specific penalties and distinguish between cases of vandalism and theft.
- (3) Subsequent acts of tampering may lead to a refusal to supply certain services for determined periods.

21. REPORTING AND PERFORMANCE MANAGEMENT

- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100 (c).
- (2) This report shall contain particulars on cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.
- (3) If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if in agreement with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.
- (4) The Executive Mayor as Supervisory Authority shall, at intervals of three (3) months, report to Council as contemplated in section 99 (c)

of the Systems Act.

22. INCOME COLLECTION TARGET

Income collection targets will be set by the Chief Financial Officer to achieve the optimum debt collection ratio i.e. receipt / billing, that will satisfy Council's IDP objectives.

23. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.



**2016/17 Medium Term Revenue and Expenditure
Framework (MTREF) Policy review**

PROPERTY RATES POLICY

PROPERTY RATES POLICY

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PROPERTY RATES POLICY

PART 1: PREAMBLE AND LEGISLATIVE CONTEXT.

- 1.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No.6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 1.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 1.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No.6 of 2004) a municipality in accordance with-
 - (a) Section 2(1), may levy a rate on property in its area; and
 - (b) Section 2(3), must exercise its power to levy a rate on property subject to-
 1. Section 229 and any other applicable provisions of the Constitution;
 2. The provisions of the Property Rates Act and the regulations promulgated in terms thereof; and
 3. The rates policy.
- 1.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter alia, rates on property.
- 1.5 In terms or Section 62(1) (f) (ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.
- 1.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and the regulations promulgated in terms thereof.

The policy of the Ephraim Mogale Local Municipality for levying rates on rateable property is set out in this document. The Council adheres to all requirements of the Municipal Property Rates Act (MPRA) and Municipal Finance Management Act (MFMA) including any regulations promulgated in terms of these Acts.

As part of each annual operating budget the Council is obliged to impose a rate in the rand on the market value of all rateable properties as recorded in the municipality's valuation roll or supplementary valuation roll(s). Rateable property shall include any rights registered against such property, with the exception of a mortgage bond. Generally, all land within the

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Ephraim Mogale Local Municipal area of jurisdiction is rateable unless it is specifically exempted as set out in Section 15 of the MPRA and includes:

- Cemeteries
- Sport grounds for exercising amateur sport
- Properties owned by welfare organizations

The Rates Policy sets out the broad policy framework within which the municipality rates its area as per Section 3 of the MPRA, and gets annually reviewed and, when necessary, amends the municipality's rates of assessment as per Section 5 of the MPRA.

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PART 2: DEFINITIONS

In this policy, unless the context indicates otherwise, in addition to the definitions contained in both the MPRA and the MFMA, the following meanings are assumed:

- “Act”** means the Local Government: Municipal Property Rates Act, 2004 (No 6 of 2004).
- “Agricultural purposes”** in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.
- “Agent”** in relation to the owner of a property, means a person appointed by the owner of the property-
- a. to receive rental or other payments in respect of the property on behalf of the owner; or
 - b. to make payments in respect of the property on behalf of the owner
- “Agricultural purpose”** in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;
- “Annually”** means once every financial year;
- “Appeal board”** means a valuation appeal board established in terms of Act 6/2004.
- “Assistant municipal valuer”** means a person designated as an assistant municipal valuer in terms of Act 6 of 2004.
- “Bona fide farmer”** means the registered owner of agricultural land which is predominantly used for agricultural purposes and who is also registered as such with the South African Revenue Services.
- “Business”** means the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, with the exclusion of mining, agriculture, farming, or inter alia, any other business consisting of cultivation or soil, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms.
- “Category”-a)** In relation to property and owners means a category of properties and owners determined in terms of Act 6 of 2004.
- “Data-collector”** means a person designated as a data-collector in terms of Act 6 of 2004.
- “Date of valuation”** means the date determined by a municipality in terms of Municipal Property Rates Act 6 of 2004 section 31(1).
- “District management area”** means a part of a district municipality which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone.
- “district municipality”** means a municipality that has municipal executive and legislation authority in an area that includes more than one

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| | <p>municipality, and which is described in <u>section 155 (1) of the Constitution</u> as a category C municipality.</p> |
| “Effective date” | <p>in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of <u>section 32(1)</u>; or in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of <u>section 78(2) (b)</u>;</p> |
| “Exclusion”, | <p>in relation to a municipality’s rating power, means a restriction of that power as provided for in <u>section 17</u>;</p> |
| “Exemption” | <p>in relation to the payment of a rate, means an exemption granted by a municipality in terms of <u>section 15</u>;</p> |
| “Financial year”, | <p>means the period starting from 1 July in a year to 30 June the next year.</p> |
| “Government” | <p>means owned and exclusively used by an organ of the state, excluding non-urban properties used for residential or agricultural purposes or not in use.</p> |
| “Illegal use” | <p>means any use that is inconsistent with or in contravention of the permitted use of the property.</p> |
| “Improvement” | <p>means any building or structure on or under a property, including:</p> <ul style="list-style-type: none">• a structure constructed solely for the purpose of rendering the property suitable for the erection of any immovable structure thereon; and• Buildings, structures and equipment or machinery referred to in Section 46(3) of the MPRA. |
| “Income Tax Act” | <p>means the Income Tax Act, 1962 (<u>act No 58 of 1962</u>)</p> |
| “Indigent” | <p>means debtors who are poor private residential households as defined by the municipality’s policy on Free Basic Services and Indigent Support.</p> |
| “Industrial” | <p>means branch of trade or manufacturing, production, assembling or processing of finished or partially finished products from raw materials or fabricated parts, on so large scale that capital and labour are significantly involved. This includes factories as defined in the Machinery and Building Work Act, Act 22 of 1941, as amended and includes any office or other accommodation on the same erf, the use of which is incidental to the use of such factory.</p> |
| “Land reform beneficiary” | <p>in relation to a property, means a person who-</p> <ul style="list-style-type: none">a. acquired the property through-<ul style="list-style-type: none">(i) the Provision of land and Assistance Act, 1993 (<u>Act no 126 of 1993</u>); or(ii) the Restitution of Land Rights Act, 1994 (<u>Act No 22 of 1994</u>);b. holds the property subject to the Communal Property Associations Act, 1996 (<u>Act no 28 of 1996</u>); or |

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- c. holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25 (6) and (7) of the Constitution be enacted after this Act has taken effect;
- "Land tenure right"** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004; (Act No 11 of 2004) (Upgrading of Land Tenure Rights Act, 1991(Act No 112 of 1991)
- "Local community"** in relation to a municipality-
- a. means that body of persons comprising-
- (i) the residents of the municipality
 - (ii) the ratepayers of the municipality
 - (iii) any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and
 - (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and
- b. includes, more specifically, the poor and other disadvantaged sections of such body of persons;
- "Local municipality"** means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;
- Mining property"** means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act 28 of 2002.
- "Municipal"** means owned and exclusively used by the municipality.
- Office bearer"** means in relation to places of public worship, means the primary person who officiates at services at that place of worship;
- Office residence'**, in relation to places of public worship, means –
- (a) a portion of the property used for residential purposes; or
 - (b) one residential property, if the residential property is not located on the residential purposes; or the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer,"
- "Multiple uses"** means a property that cannot be assigned to a single category due to the different uses of the property.
- "Market value"** in relation to a property, means the value of the property determined in accordance with section 46;
- "MEC for local government"** means the member of the Executive Council of a province who is responsible for local government in that province;

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- “metropolitan municipality”** means a municipality that has exclusive executive and legislative authority in its area, and which is described in section 155(1) of the Constitution as a category A municipality;
- “Minister”** means the Cabinet member responsible for local government; “multiple purposes”, in relation to a property, means the use of a property for more than one purpose;
- “Municipal council” or “council”** means a municipal council referred to in section 18 of the municipal Structures Act;
- “Municipal Finance Management Act”** means the local Government: Municipal Finance Management Act, 2003 (Act no 56 of 2003);
- “Municipality”**
- (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
 - b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998);
- “Municipal manager”** means a person appointed in terms of Section 82 of the Municipal Structures Act;
- “Municipal Structures Act”** means the Local Government: Municipal Structures Act, 1998 (Act no 117 Of 1998);
- “Municipal Systems Act”** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);
- “municipal valuer” or “valuer of a municipality”** means a person designated as a municipal valuer in terms of section 33 (1);
- “Newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding-
- a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
 - a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified.
- “New private infrastructure developments”** means single properties divided (through subdivision or township establishment) into 10 or more full title units and all services, inclusive of water, sewerage, electricity and roads are installed by the developer at his own cost.
- “Non-urban land”** means land which is not situated in an approved township and used for residential or agricultural purposes or not in use.
- “occupier”,** in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;
- “Organ of state”** means a organ of state as defined in section 239 of the Constitution
- “Owner”** - In relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;

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- In relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name right is registered;
- In relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
In relation to public service infrastructure referred to in paragraph 9(d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “public controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
 - (i) A trustee, in the case of a property in a trust excluding state trust land ;
 - (ii) An executor or administrator, in the case of a property in a deceased estate;
 - (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - (iv) A judicial manager, in the case of a property in the estate of a person under judicial management.
 - (v) A curator, in the case of a property in the estate of a person under curator ship;
 - (vi) A person in whose name a usufruct or other personal servitude;
 - (vii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it: or
 - (viii) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“Permitted use” in relation to a property, means the limited purposes for which the property may be used in terms of-

- a. any restrictions imposed by:-
 - (i) a condition of title;
 - (ii) a provision of a town planning or land use scheme; or
 - (iii) any legislation applicable to any specific property or properties; or
- b. any alleviation of any such restrictions;

“Person” includes an organ of state;

“Prescribe” means prescribe by regulation in terms of section 83;

“Privately owned towns serviced by the owner” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all services inclusive of water, electricity, sewerage and refuse removal and road development are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

“Property” means-

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- a. immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;
- b. a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;
- c. a land tenure right registered in the name of a person or granted to a person in terms of legislation; or
- d. public service infrastructure;

"Property register" means a register of properties referred to in section 23;

"Protected area" means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act;

"Protected Areas Act" means the National Environmental Management: Protected Areas Act, 2003;

"publicly controlled" means owned by or otherwise under the control of an organ or state including-

- a. a public entity listed in the Public Finance Management Act, 199 (Act no 1 of 1999);
- b. a municipality; or
- c. a municipal entity as defined in the Municipal Systems Act;

"public service infrastructure" means publicly controlled infrastructure of the following kinds:

- 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 part of a water sewer scheme serving the public;
- c. power stations, power substations or power lines forming part of an electricity scheme serving the public;
- d. gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- e. railway lines forming part of a national railway system;
- f. communication towers, masts, exchanges or lines forming part of a communication system serving the public;
- g. breakwaters, sea walls, 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;

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- h. any other publicly controlled infrastructure as may be prescribed; or rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

‘public service purposes’

in relation to the use of a property, means property owned

and used by an organ of state as—

- (a) Hospitals or clinics;
 - (b) Schools, pre-schools, early childhood development centres or further education and training colleges;
 - (c) National and provincial libraries and archives;
 - (d) Police stations;
 - (e) Correctional facilities; or
 - (f) Courts of law,
- but excludes property contemplated in the definition of ‘public service infrastructure’;”;

“Public benefits organization” means an organization conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities.

“Protected area” means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management: Protected Areas Act, 2003.

“Public worship” means a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship subject to Land Tenure Rights.

“Rate” means a municipal rate on property envisaged in section 229(1) (a) of the Constitution;

“Rateable property” means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17;

“Ratio” in relation to section 19, 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;”;

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- "Rebate"** in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;
- "Reduction"** in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;
- "Register"-** means to record in a register in terms of-
- (i) The Deeds Registries Act, 1937 (Act no 47 on 1937); or
- (ii) The Mining Titles Registration Act, 1967 (Act no 16 of 1967); and includes any other formal act in terms of any other legislation to record-
- A right to use land for or in connection with mining purposes; or
A land tenure right;
- "Residential"** means a suite of rooms which form a living unit that is exclusively used for human habitation purposes, or a multiple number of such units on a property, excluding a hotel, commune, boarding and lodging undertaking, hostel and place of instruction.
- "Residential property"** means a property included in a valuation roll in terms of section 48 (2) (b) as residential;[as residential;] in respect of which the primary use or permitted use is for residential purposes without derogating from section 9;"
- "Sectional Titles Act"** means the Sectional Titles Act, 1986 Act no 95 of 1986;
- "Sectional title scheme"** means a scheme defined in section 1 of the Sectional Titles Act'
- "Sectional titles unit"** means a unit defined in section 1 of the Sectional Titles Act;
- "Specified public benefit activity"** means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act;
- "State trust land"** means land owned by the state-
- a. in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
- b. over which land tenure rights were registered or granted; or which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No 22 of 1994);
- "Tax base"** means the values as reflected in the officially approved valuation roll of the municipality.
- "Urban land"** means land which is situated within a proclaimed township.
- "Zoning"** means the purpose for which land may lawfully be used or on which buildings may be erected or used, or both, as contained in an applicable town planning scheme and "zoned " has a corresponding meaning.
- "Vacant land"** means:
- Land where no immovable improvements have been erected; or
 - The value added by the immovable improvements is less than 10% of the value of the land.
 - Vacant land is categorized according to the permitted use of the property and is not regarded as a separate category of property.

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All other terms are used within the context of the definitions contained in the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004)

PART 3: POLICY PRINCIPLES

3.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality's valuation roll and supplementary valuation roll.

3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.

3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation.

3.4 The rates policy for the municipality is based on the following principles:

- An autonomous tax – the determination and levying of the tax will be in the discretion of the Council of the municipality;
- A productive tax – an appropriate difference between the income and the cost of the tax;
- An as broad as possible tax base – the base is the valuation roll, with as little as possible tax avoidance and – evasion;
- A tax, which takes ability-to-pay and benefits received into account in ensuring horizontal and vertical fairness;
- A progressive tax system, which in relation taxes the rich more than the poor.
- A tax, which attracts the correct activities to the municipality, ensuring a caring municipality, and discourages, unwanted activities;
- An impartial tax with exemptions, reductions and rebates where appropriate;
- An easy tax system that simplifies calculating, enquiries, payments and making arrangements;
- A simple tax, which ensure low administration -, compliance and collection costs;

Further to the abovementioned principles, the Council will also take into account the following:

- a. **Equity:** The municipality will treat all ratepayers with similar properties the same
- b. **Affordability:** The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief through exemptions, reductions or rebates.

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- c. Sustainability: Rating of property will be implemented in a way that:
- (i) it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
 - (ii) supports local social economic development
- d. Cost efficiency Rates: will be based on the value of all rateable property and the amount required by the municipality to balance the operating budget after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage removal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

PART 4. OBJECTIVES AND SCOPE OF THE POLICY

4. Strategic Focus

4.1 Policy Objectives

- To ensure certainty and clarity as to amounts payable in respect of property rates;
- To ensure the promotion of efficient, economic and effective use of resources;
- To promote development and endeavour to attract investment for job creation;
- To spread the rates burden impartially, fairly, equitably and without bias;
- To create an opportunity for public participation in policy making;
- To contribute towards the accountability of the municipality;
- To contribute towards the transparency of the municipality;
- To contribute towards the financial sustainability of the municipality;

And

- To protect citizens against exploitation by the municipality.
- Sureness of the tax and the income from this source;
- A tax with which the citizens of the municipality can identify and which breeds high tax morality;
- A tax system and – policy, which is subject to community participation and social control.

4.2 Scope of the Policy

This policy document guides the annual setting (or revision) of property rates. It does not make specific property rates proposals. Details pertaining to the applications of the various property rates will be published in the Provincial

Gazette and the Municipality's schedule of tariffs, which must be read in conjunction with this policy.

4.2.1 Determining the rate on property, exemptions, rebates and reductions

The Council of the municipality has to annually consider:

- The impact of rates on the community;
- The impact of rates on businesses;
- The current economic climate;
- The Integrated Development Plan (IDP) of the municipality;
- The Town Development Strategy and Financial Plan of the municipality;
- mitigating major shocks to ratepayers when moving from a site rating on the total market value (land and buildings) of a property.

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 fulfill 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 discriminator 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.

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PART 5: APPLICATION OF THE POLICY AND IMPOSITION OF RATES

The council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll. Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.

The council shall, in imposing the rate for each financial year, take proper cognizance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership, and of the extent to which this burden is or remains competitive with the comparable burden in other municipalities within the local economic region.

PART 6: CLASSIFICATION OF SERVICES AND EXPENDITURE.

6.1 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and Executive Mayor or Committee of the municipality, make provision for the following classification of services:-

a. Trading services

- i. Water
- ii. Electricity

b. Economic services

- i. Refuse removal
- ii. Sewerage disposal

c. Community services (where applicable)

- 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. Storm water 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

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- 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/street lighting
- xxv. Traffic and parking
- xxvi. Building control
- xxvii. Licensing of motor vehicles and transport permits
- xxviii. Nature reserves
- xxix. Forestry

d. Subsidized services

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

6.2 Trading and economic services must be ring fenced and financed from service charges while community and subsidized services will be financed from profits on trading and economic services, regulatory fees, rates and rates related income.

6.3 Expenditure will be classified in the following categories:

- a. Salaries, wages and allowances
- b. Bulk purchases
- c. General expenditure
- d. Repairs and maintenance
- e. Capital charges (interest and redemption)/depreciation
- f. Contribution of fixed assets
- g. Contribution to funds-
 - (i) bad debts
 - (ii) working capital; and
 - (iii) statutory funds.
- h. Contribution to reserves
- i. Gross expenditure
- j. Less charge-out
- k. Net expenditure
- l. Income
- m. Surplus/Deficit

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6.4 Cost centres will be created to which the costs associated with providing the service can be allocated-

- a. by Department
- b. by Section/service; and
- c. by Division/service.

6.5 The subjective classification of expenditure each with a unique vote will be applied to all cost centres.

PART 7: CATEGORIES OF PROPERTY

In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the actual as well as the permitted use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated in schedule 1, the permitted use of the property shall determine into which category it falls.

The categories of property for the municipality include :

- Residential Properties
- Industrial Properties
- Business & Commercial Properties
- Farm Properties used for Agricultural purposes
- Farm Properties used for other Business & Commercial purposes
- Farm Properties used for Residential purposes
- Farm Properties used for purposes other than those specified above
- Farm Properties not used for any purpose
- Smallholdings used for Agricultural purposes
- Smallholdings used for Residential purposes
- Smallholdings used for Industrial purposes
- Smallholdings used for Business & Commercial purposes
- Smallholdings used for purposes other than those specified above
- State owned Properties: Residential
- State owned Properties: Business and other
- Municipal Properties
- Public Service Infrastructure
- Privately owned towns serviced by the owner
- Formal settlements: all properties with a rateable value of up to R30 000 and informal settlements registered.
- Communal Land
- State Trust Land
- Protected Areas
- Properties on which national monuments are proclaimed
- Properties owned by public benefit organizations and used for any specific public benefit activities
- Properties used for Multiple purposes

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- Properties used for Public Worship (Churches)
- Property registered in the name of and used primarily as a place of worship by a religious community, including an official residence.
- Roads owned by private persons
- Schools owned by private persons
- Dams owned by private persons
- Sectional Schemes Residential
- Sectional Schemes Business
- Undeveloped properties and/or any other category of property not mentioned above as may be determined by the minister with the concurrence of the Minister of finance, by notice in the Gazette.

AND:

Property acquired through the Provision of Land and Assistance Act, 1993 (Act No.126 of 1993), or the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994); or (ii) which is subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996);

PART 8: CATEGORIES OF OWNERS:

Criteria for determining categories of owners of properties, for the purpose of granting exemptions, rebates and reductions will be according to the-

8.1 The criteria may include, but not necessarily be limited to:

- a. Owner/s of a residential property with a source of income within a determined threshold
- b. indigent status of the owner of a residential property in terms of the Municipality's indigent policy
- c. the age of the owner
- d. owners dependant on pensions or social grants for their livelihood
- e. owners of property situated within an area affected by-
 - (1) a disaster within the meaning of the Disaster Management Act, 2002 (Act No.57 of 2002); or
 - (2) serious adverse social or economic conditions unique to a certain or identified area.
- f. Owners of residential properties with a market value below an amount determined by the Council.
- g. If the property has been assigned to a certain category which the municipality has specifically identified for purposes of exemptions, rebates or reductions.
- h. Owners of agricultural land who are bona fide farmers

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8.2 The municipality may determine the categories of owners in accordance with section 7 of this policy for purposes of granting exemptions, rebates or reductions in rates, and such categories of owners, may include, but not necessarily be limited to:

- a. indigent owners in terms of the Municipality indigent policy;
- b. owners dependent on pensions or social grants for their livelihood
- c. owners temporarily without an income
- d. owners of property situated within an area affected by
- e. a disaster within the meaning of the Disaster Management Act 57 of 2002
- f. any other serious adverse social or economic conditions
- g. owners of residential properties with a market value below an amount determined by the Municipality
- h. owners of agricultural properties who are bona fide farmers

PART 9: PROPERTIES USED FOR MULTIPLE PURPOSES:

Rates on properties used for multiple purposes will be levied on properties used for-

- a. a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;
- b. a purpose corresponding with the dominant use of the property;
- c. by apportioning the market value of a property to the different purposes for which the property is used; and
- d. applying the relevant cent amount in the rand to the corresponding apportioned market value.

PART 10: DIFFERENTIAL RATING:

10.1 The municipality has the right, but is not compelled, to levy different rates for different categories of rateable properties

10.2 The criteria in determining these different categories of rateable property shall include but not necessarily be limited to the following factors

- a. The use of the property, which can be broadly divided into the following categories
 - (i) the actual use of the property
 - (ii) the permitted use of the property
 - (iii) the geographical area where the property is situated

10.3 Differential rating among the various property categories will be done by way of setting different rate for each property category and/or

10.3.1 by way of reductions and rebates.

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PART 11: RELIEF MECHANISMS-EXEMPTIONS

In imposing the rate in the rand for each annual operating budget component, the council shall grant exemptions, rebates and reductions to the categories of properties and categories of owners indicated in the under mentioned schedule , but the council reserves the right to amend these exemptions, rebates and reductions if the circumstances of a particular annual budget so dictate.

In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated in schedule, the permitted use of the property shall determine into which category it falls.

11.1 The following categories of property are exempted from rates:

| <u>CATEGORY</u> | <u>COMMENT</u> |
|--|--|
| (a) Municipal properties (Own municipality) | Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. rateable property registered in the name of the Municipality and which is let by the Municipality for not more than a nominal rent as determined by the Municipality is excluded from this exemption |
| (b) Residential properties | All residential properties with a market value of less than R40 000-00 are exempted from paying rates. The R15 000-00 impermissible rates contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the R40 000-00 amount. This is an important part of the council's indigent policy and is aimed primarily at alleviating poverty |
| (c) Cemeteries and crematoriums | Registered in the names of private persons and operated not for gain. |
| (d) Public service Infrastructure | Public Service infrastructure is exempted from paying rates as they provide essential services to the community |

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|---|---|
| <p>(e) <u>Public Benefit Organizations</u></p> <p>The following Public Benefit Organizations may apply for the exemption of property rates subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):</p> | |
| <p>(1) <u>Health care institutions</u></p> | <p>Properties used exclusively as a hospital, clinic and mental hospital, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.</p> |
| <p>(2) <u>Registered Welfare institutions</u></p> | <p>Properties used exclusively as an orphanage, non-profit retirement villages, old age home or benevolent institution, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality</p> |
| <p>(3) <u>Educational institutions</u></p> | <p>Property belonging to educational institutions declared or registered by law and not operated for gain.</p> |
| <p>(4) <u>Independent schools</u></p> | <p>Property used by registered independent schools for educational purposes only.</p> |
| <p>(5) <u>Charitable institutions</u></p> | <p>Property belonging to not-for-gain institutions or organizations that perform charitable work.</p> |
| <p>(6) <u>Sporting bodies</u></p> | <p>Property used by an organization whose sole purpose is so use the property for sporting purposes on a non-professional basis and not operated for gain.</p> |
| <p>(7) <u>Cultural institutions</u></p> | <p>Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 of the Cultural Institutions Act, Act 66 of 1989.</p> |
| <p>(8) <u>Museums, libraries, art galleries and botanical gardens</u></p> | <p>Registered in the name of private persons, open to the public and not operated for gain.</p> |

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| <u>(9) Youth development organizations</u> | Property owned and/or used by organizations for the provision of youth leadership or development programmes. |
| <u>(10) Animal welfare</u> | Property owned or used by institution/organizations for the provision exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis. |

11.2 Exemptions will be subject to the following conditions:

- a. all applications must be addressed in writing to the municipality in the prescribed manner or application form;
- b. a SARS tax exemption certificate must be attached to all applications
- c. The municipal manager or his/her nominee must approve all applications
- d. Applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought; and
- e. The municipality retains the right to refuse exemptions if the details supplied in the application from where incomplete, incorrect or false.

Note:

MEASURES TO ASSIST PUBLIC BENEFIT ORGANISATIONS

The Municipality may grant a % rebate (to be determined by resolution of the council), of rates otherwise payable to it by any public benefit organization referred to in Section 18A and Part 1 of the 9th Schedule of the Income Tax Act, No 58 of 1962, provided that such organization has been approved as such by SARS in accordance with Section 30 of the Act.

PART 12 REDUCTIONS

12.1 A reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act will be granted where the value of a property is affected by:-

- a. a disaster within the meaning of the Disaster Management Act, 2002 (Act no 57 of 2002); or
- b. any other serious adverse social economic conditions

12.2 The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.

12.3 All categories of owners can apply for a reduction in the rates payable as described above.

12.4 Description of category of Property

Criteria

- | | |
|-----------------|----------|
| a. Residential | 11(1)(e) |
| b. Industrial | 11(1)(e) |
| c. Business | 11(1)(e) |
| d. Agricultural | 11(1)(e) |

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| | | |
|----|---|----------|
| e. | State owned properties | 11(1)(e) |
| f. | Municipal properties | 11(1)(e) |
| g. | Public service infrastructure | 11(1)(e) |
| h. | Informal settlements | 11(1)(e) |
| i. | Properties- | |
| | (i) Acquired through the Provision of Land Assistance Act, 1993 or the Restitution of Land Rights Act, 1994, or | 11(1)(e) |
| | (ii) which is subject to the Communal Property Associations Act, 1996 | 11(1)(e) |
| j. | Protected areas | 11(1)(e) |
| k. | National monuments | 11(1)(e) |
| l. | Public benefit organizations (part 1 of the Ninth Schedule to the Income Tax Act) | 11(1)(e) |
| m. | Multiple purposes | 11(1)(e) |
| n. | Private towns serviced by the developers | 11(1)(e) |
| o. | Private towns serviced and maintained by the developers | 11(1)(e) |

12.5 Criteria for granting reductions

- a. A reduction in the municipal valuation as contemplated in section 15(1) (b) of the Act will be granted where the value of a property is affected by fire damage, demolition or floods.
- b. The reduction will be in relation to the certificate issued for this purpose by the municipal valuer.

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PART 13 REBATES

13.1 Category of property

| 2 | 3 <u>CATEGORY OF PROPERTY</u> | 4 <u>REBATE</u> |
|-------------|--|------------------------|
| 5 * | 6 Residential properties or properties of any category used for multiple purposes where the residential component represents on average 90% or more of the property's actual use: | 12 |
| | 7 <u>With improvements</u> | 13 |
| | 8 | 14 50 % |
| | 9 <u>Without improvements</u> | 15 |
| | 10 | 16 None |
| | 11 <u>Private owned:</u> Town serviced by owner, for improved residential properties an additional | 17 |
| | | 18 10 % |
| 19 * | 20 Industrial properties | 21 None |

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|----|---|----|--|----------------------|--------------|
| 22 | * | 23 | Business and Commercial Properties | 24 | None |
| 25 | * | 26 | <u>Farm portions and Agricultural Holdings</u> | 27 | |
| 28 | | 29 | Agricultural properties may be granted a rebate subject to the | 32 | |
| | | 30 | owner providing the Municipality with required information in | | |
| | | 31 | an affidavit received not later than 30 September each year unless a different date is determined by Council for a specific year. | | |
| 33 | | 34 | Qualifying requirements are that the owner should provide | 40 | |
| | | 35 | proof that he is registered as a bona fide farmer with SARS, | | |
| | | 36 | <u>or</u> | | |
| | | 37 | where the owner is not taxed as a farmer, proof is required that | | |
| | | 38 | income from farming activities exceeds 40% of the household | | |
| | | 39 | income. | | |
| 41 | | 42 | <u>Rebates may be granted on the following as outlined hereunder:</u> | 44 | |
| | | 43 | | | |
| 45 | * | 46 | <u>The extent of municipal services provided to farm portions/agricultural holdings</u> | 47 | |
| 48 | * | 49 | -if there are no municipal roads next to the property | 50 | 7.5 % |
| 51 | * | 52 | -if there is no municipal sewerage to the property | 53 | 7.5 % |
| 54 | * | 55 | - if there is no municipal electricity supply to the property | 56 | 7.5 % |
| 57 | * | 58 | - if water is not supplied by the municipality | 59 | 20 % |
| 60 | * | 61 | - if there is no refuse removal that is provided by the municipality | 62 | 7.5 % |
| 63 | * | 64 | <u>The contribution of agriculture to the local economy</u> | 65 | |
| 66 | * | 67 | - A rebate may be granted to agricultural property that contributes substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g. if they meet minimum standards set by government or if they are in line with the sector's average. | 68 69 70 71 | |

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| | | | |
|------------|--|------------|--------------|
| | | 72 | 5 % |
| 73 | * 74 <u>The extent to which agriculture assists in meeting service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers</u> | 75 | |
| 76 | * 77 - if the owner provides permanent residential property to the farm workers and such property is registered in the name of these farm workers | 78 | 5 % |
| 79 | * 80 - if such residential properties are provided with potable water | 81 | 5 % |
| 82 | * 83 - if such residential properties are electrified by the farmer | 84 | 5 % |
| 85 | * 86 - if the farmer avails his land/buildings to be used for cemetery, education and recreational purposes of the farm worker's children, the nearby community etc. | 87 | 5 % |
| 88 | * 89 <u>STATE OWNED AND OTHER PROPERTIES.</u> | 90 | |
| 91 | * 92 State-owned properties : Residential | 93 | 20 % |
| 94 | * 95 State-owned properties : Public Service Infrastructure | 96 | 30 % |
| 97 | * 98 State-owned properties : Schools & Hospitals | 99 | 50 % |
| 100 | * 101 State-owned properties : Other | 102 | None |
| 103 | * 104 Municipal Properties : Residential | 105 | 100 % |
| 106 | 107 Municipal Properties : Residential-for occupation by Mayor | 108 | 100% |
| 109 | 110 Municipal Properties : Residential-rented out to staff and other parties | 111 | None |
| 112 | * 113 Municipal Properties: Public Service Infrastructure | 114 | 100 % |
| 115 | * 116 Municipal Properties : Other Municipalities | 117 | None |
| 118 | * 119 Privately Owned Schools and Hospitals | 120 | 50 % |
| 121 | * 122 Old age institutions registered at the Department of Welfare | 123 | 100% |
| 124 | * 125 Formal and Informal Settlements ; All properties with a rateable value of up to R50 000 | 126 | 60 % |
| 127 | * 128 Communal Land | 129 | 50 % |
| 130 | * 131 State Trust Land | 132 | 50 % |
| 133 | * 134 Protected Areas | 135 | 100% |

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|-----|---|--|-----|-------|
| 136 | * | 137 Properties on which national monuments are situated, and where no business or commercial activities are conducted in respect of such monuments | 138 | 100 % |
| 139 | * | 140 Properties on which national monuments are situated, but where business or commercial activities are conducted in respect of such monuments | 141 | 40 % |
| 142 | * | 143 Properties owned by public benefit organisations registered at the Department of Welfare and used to further the objectives of such organizations | 144 | 100 % |
| 145 | * | 146 Properties belonging to a land reform beneficiary or his or her heirs for the first 10 years after the registration of the title in the office of the Registrar of Deeds | 147 | 100 % |
| 148 | * | 149 Property registered in the name of and used primarily as a place of worship by a religious community, including an official residence | 150 | 100 % |

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152 NOTE: In addition to the foregoing, the first R15 000 of the market value of all residential properties and of all properties used for multiple purposes, provided one or more components of such properties are used for residential purposes, is exempt from the payment of rates in terms of Section 17(1)(h) of the Property Rates Act.

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155 Municipal properties shall exclude properties owned or used by other municipalities.

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157 Properties used for multiple purposes, other than those referred to under residential properties above, shall be rated on the value assigned to each component, and shall receive the rebate applicable to such component. Where one component on average represents 90% or more of the property's actual use, such property shall be rated as though it were used for that use only.

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159 (i) The following categories of owners of properties shall additionally receive the following rebates on the rates due in respect of such properties after deducting the rebate to residential properties, where applicable:

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| | | | |
|-----|------------------------------------|-----|---------------------------------|
| 161 | <u>CATEGORY OF PROPERTY OWNERS</u> | 162 | <u>REBATE</u> |
| | | 163 | |
| 164 | Residential property owners who | 165 | 100 % of the rates based on the |

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| | |
|--|--|
| <p>are both the permanent occupants and the sole owners of the property concerned and who are <u>registered indigents</u> in terms of the Councils indigent management policy.</p> | <p>rateable value up to R100 000</p> <p>166 <u>and</u></p> <p>167</p> <p>168 75% of the rates based on the rateable value above R150 000.</p> |
| <p>169 Residential property owners who are over 60 years of age, who are both the permanent occupants and the sole owners of the property concerned and whose aggregate joint household income is proved to be to the satisfaction of the municipal manager not to exceed R3 000 per month, or such other amount as the Council may from time to time determine.</p> | <p>170 100 % of the rates based on the rateable value up to R100 000,</p> <p>171 50 % of the rates based on the rateable value above 100 000 but below R150 000 <u>and</u></p> <p>172 40% of the rates based on the rateable value above R150 000.</p> |
| <p><u>Applicants who are:</u> <u>Medically unfit, disabled and retired due to medical reasons</u></p> <ul style="list-style-type: none"> • Applicants qualify irrespective the age on condition that a medical certificate be produced to Council. • The maximum income must not exceed the perk laid down by Council from time to time. • The Applicant must be a registered owner of the property, living on the property and have occupied it for at least 5 years. • The Applicant cannot be a registered owner of more than one property in the Municipal area. <p>A rebate as determined on the above mentioned rates shall apply for residential applicants who qualify in terms of these criteria.</p> | <p>173 100 % of the rates based on the rateable value up to R100 000,</p> <p>174</p> <p>175 50 % of the rates based on the rateable value above 100 000 but below R150 000</p> <p>176</p> <p>177 <u>and</u></p> <p>178</p> <p>179 40% of the rates based on the rateable value above R150 000.</p> |

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182 COMPULSARY APPLICATION FOR REBATES:

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(ii) Property owners must apply on a prescribed application form for a rebate as determined by the municipality

(iii) Applications must be accompanied by-

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- (a) a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality
- (b) sufficient proof of income of the owner and his/her spouse;
- (c) an affidavit from the owner
- (d) if the owner is a disabled person proof of a disability pension payable by the state must be supplied ; and
- (e) if the owner has retired at an earlier stage for medical reasons proof therefore must be submitted.

(iv) These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.

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(v) The municipality retains the right to refuse rebates if the details supplied in the application form were incomplete, incorrect or false.

13.2 Properties with a market value below a prescribed valuation level

These properties may, instead of a rate determined on the market value, be levied a uniform fixed amount per property

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186 The council grants the above rebates in recognition of the following factors:

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- **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.**

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- **The need to accommodate indigents and less affluent pensioners.**

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- **The services provided to the community by public service organizations, schools and hospitals.**

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- **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.**

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- 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.

192 The municipal manager shall ensure that the revenues forgone 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.

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- a. The benefit to the community of granting relief measures will be.
- (i) The promotion of local economic development including attracting business establishment
 - (ii) Creation of employment for municipal residents
 - (iii) Promotion of service delivery, for example by farmers;
 - (iv) Poverty alleviation to the indigents;
 - (v) Social development and moral development, for example, by religious institutions, sport institutions, schools and other non governmental organizations which promote health and other benefit to the community; and
 - (vi) Improved local economic growth.

PART 14: RATES INCREASES

- (a) The municipality will consider increasing rates annually during the budget process in terms of the guidelines issued by National Treasury from time to time.
- (b) Rate increases will be used to finance the increase in operating costs of community and subsidized services.
- (c) Relating to community and subsidized services the following annual adjustments will be made;
 - All salary and wage increases as agreed at the South African Local Government Bargaining Council.
 - An inflation adjustment for general expenditure, repairs and maintenance and contributions to statutory funds, and
 - Additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.
- (d) Extraordinary expenditure related to community services not foreseen during the previous budget period and approved by the council during a budget review process will be financed by an increase in property rates.

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- (e) Affordability of rates to ratepayers
- (f) All increases in property rates will be communicated to the local community in terms of Chapter 4 of the Local Government: Municipal Systems Act, 32 of 2000.

PART 15 NOTIFICATION OF RATES

- (a) The municipality will give notice of all rates approved at the annual budget meeting at least 30 days prior to the date that the rates become effective. Accounts delivered after the 30 days notice will be based on the new rates.
- (b) A notice stating that purport of the municipality's resolution and the date on which the new rates become operational will be displayed by the municipality at places installed for that purpose.

PART 16 PAYMENT OF RATES AND ACCOUNTS TO BE FURNISHED

- 16.1. Ratepayers may choose between paying rates annually in one instalment on or before 30 September or in twelve equal instalments on or before the seventh day of the month following on the month in which it becomes payable.
- 16.2. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee not later than 31 May in any financial year, or such later date in such financial year as may be determined by the municipal manager or his/her nominee that he/she wishes to pay all rates in respect of such property in instalments, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year in twelve instalments until such notice is withdrawn by him/her in a similar manner.
- 16.3. Interest on arrears rates, whether payable on or before 30 September or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.
- 16.4. If a property owner, who is responsible for the payment of property rates in terms of this policy, fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control, Debt Collection and indigent policy of the Municipality.
- 16.5. Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act.
- 16.6. If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the tenant or occupier of the property, despite any contractual obligation between the tenant and the owner. The Municipality will only recover the outstanding rates from the tenant or occupier after a written notice has been served to the tenant or occupier.
- 16.7. The amount that the municipality will recover from the tenant or occupier will be limited to the amount of the rent or other money due and payable, but not yet paid by the tenant or occupier to the owner of the property. The tenant or occupier must set off any amount recovered from them by the municipality against any money owed to the owner.

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- 16.8 The tenant or occupier of a property will on request of the municipality, furnish the municipality with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period as may be determined by the municipality.
- 16.9 If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined, the municipality will recover the amount in whole or in part from the agent of the owner. The Municipality will only recover the outstanding rates from the agent after a written notice has been served to the agent.
- 16.10 The amount that the municipality will recover from the agent will be limited to the amount of the rent or other money received by the agent on behalf of the owner less any commission due to the agent.
- 16.11 The agent will on request of the municipality, furnish the municipality with a written statement specifying all payments for rent on the property and any money received by the agent on behalf of the owner during a period as may be determined by the municipality.
- 16.12 A rate levied by the Municipality on a property must be paid by the owner of the property. Joint owners of a property are jointly and severally liable for the amount due for rates on that property.
- 16.13 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the Municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, 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.
- 16.14 In addition, 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.

PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEME

The rate levied on a sectional unit is payable by the owner of the unit. The Municipality may not recover the rate on such sectional title unit, or any part of such rate, from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit.

ACCOUNTS TO BE FURNISHED

The Municipality must furnish each person liable for the payment of a rate with a written account specifying:

- i) The amount due for rates payable;
- ii) The date on or before which the amount is payable;
- ii) How the amount was calculated;
- iii) The market value of the property;
- iv) Phasing in discount if applicable.

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The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the Municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries from the Municipality.

PART 17 REGULAR REVIEW PROCESS

17.1 REGULAR REVIEW PROCESSES

The rates policy will be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the IDP and with legislation.

PART 18: SHORT TITLE

This policy is the Property Rates Policy of the Ephraim Mogale Local Municipality.

PART 19: ENFORCEMENT/IMPLEMENTATION

This policy has been approved by the Municipality in terms of resolution dated the 29 May and comes into effect from 1 July 2015.

PART 20 LEGAL REQUIREMENTS

The legal requirements of the Act are attached as Annexure A to this policy document.

ANNEXURE "A"

LEGAL REQUIREMENTS

The annexure does not cover the complete contents of the Property Rates Act, but focus on those requirements that are immediately relevant to a municipality's rates policy. The provisions dealing with most of the valuation processes and with transitional arrangements are not covered in this annexure.

SECTION 2: POWER TO LEVY RATES

A metropolitan or local municipality may levy a rate on property in its municipal area.

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A Municipality must exercise its power to levy a rate on property subject to Section 229 and any other applicable provisions of the Constitution, the provisions of the present Act, and the rates policy it must adopt in terms of this Act.

SECTION 3: ADOPTION AND CONTENTS OF RATES POLICY

The council of a municipality must adopt a policy consistent with the present Act on the levying of rates on rateable property in the municipality

Such a rates policy will take effect on the effective date of the first valuation roll prepared by the municipality in terms of the present Act, and such policy must accompany the municipality's budget for the financial year concerned when that budget is tabled in the council in terms of the requirements of the Municipal Finance Management Act.

A rates policy must:

Treat persons liable for rates equitably;

Determine the criteria to be applied by the municipality if it;

Levies different rates for different categories of property in terms of section 8;

Exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;

Grant to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties;

Determine or provide criteria for the determination of categories of properties for the purposes of levying different rates, and categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions;

Determine how the municipality's powers in terms of Section 9 must be exercised in relation to properties used for multiple purposes;

Identify and quantify in terms of cost to the municipality and any benefit to the local community, exemptions, rebates and reductions, exclusions; and rates on properties that must be phased in terms of Section 21;

Take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;

Take into account the effect of rates on organizations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organizations for those activities;

Take into account the effect of rates on public service infrastructure; allow the municipality to promote local, social and economic development; and

Identify, on a basis as may be prescribed, all rateable properties in a municipality that are not rated in terms of Section 7.

When considering the criteria to be applied in respect of any exemptions, rebates

And reductions on properties used for agricultural purposes, a municipality must take into account:

The extent of services provided by the municipality in respect of such properties;

The contribution of agriculture to the local economy;

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The extent of which agriculture assists in meeting the service delivery and development obligations of the municipality; and

The contribution of agriculture to the social and economic welfare of farm workers

Any exemptions, rebates or reductions granted and provided for in the rates policy adopted by a municipality must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government

No municipality may grant relief in respect of the payment of rates to:

A category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as provided for in its rates policy and granted in terms of Section 15 of the present Act; or

The owners of properties on an individual basis.

SECTION 4: COMMUNITY PARTICIPATION

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Municipal Systems Act; and comply with the following requirements, as set out below.

The municipal manager of the municipality must:

Conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries, and, if the municipality has an official website or a website available to it, on that website as well; and advertise in the media a notice stating that a draft rates policy has been prepared for submission to the council, and that such policy is available at the various municipal offices for public inspection, and (where applicable) is also available on the relevant website; and inviting the local community to submit comments and representations to the municipality within a period specified in the notice, but which period shall not be less than 30 days.

The council must take all comments and representations made to it into account when considers the draft rates policy,

SECTION 5: ANNUAL REVIEW OF RATES POLICY

The council must annually review, and- if needed – amend its rates policy. Any amendments to the rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of the Municipal Finance Management Act

When the Council decides to amend the rates policy, community participation must be allowed for as part of the municipality's annual process.

SECTION 6: BY-LAWS TO GIVE EFFECT TO RATES POLICY

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A municipality must adopt and publish by-laws, in terms of sections 12 and 13 of the Municipal Systems Act to give effect to the implementation of its rates policy, and such by-laws may differentiate between different categories of properties, and different categories of owners of properties liable for the payment of rates.

SECTION 7: RATES TO BE LEVIED ON ALL RATEABLE PROPERTY

When levying rates a municipality must levy such rates on all rateable property in its area, but it is nevertheless not obliged to levy rates on;

Properties of which the municipality itself is the owner
Public service infrastructure owned by a municipal entity
Rights registered against immovable property in the name of a person;
Properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure attributable to past racially discriminatory laws or practices.

The requirement to levy rates on all rateable properties does not prevent a municipality from granting exemptions from rebates on or reductions in rates levied.

SECTION 8: DIFFERENTIAL RATES

A municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, and these categories may be determined according to the;

Use of the property;
Permitted use of the property; or
Geographical area in which the property is situated

Categories of rateable property that may be determined include the following:

Residential properties
Industrial properties
Business and commercial properties
Farm properties used for
Agricultural purposes
Other business and commercial purposes
Residential purposes
Purposes other than those specified above
Farm properties not used for any purpose
Smallholdings used for:
Agricultural purposes
Residential purposes

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Industrial purposes
Business and commercial purposes
Purpose other than those specified above
State owned properties
Municipal properties
Public service infrastructure
Privately owned towns serviced by the owner
Formal and informal settlements
Communal land
State trust land
Properties acquired through the provision of land Assistance Act 1993 or the Restitution of Land rights Act 1994 or which is subject to the Communal Property Associations Act 1996
Protected areas
Properties on which national monuments are proclaimed
Properties owned by public benefit organizations and used for any specific public benefit activities
Properties used for multiple purposes

SECTION 9: PROPERTIES USED FOR MULTIPLE PURPOSES

A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipal for property used for:

A purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated;
A purpose corresponding with the dominant use of the property; or multiple purposes, as specified in section 8 (2) (r) (i).

A rate levied on a property assigned to a category of properties used for a multiple purposes must be determined by:

Apportioning the market value of the property, in a manner as may be prescribed to the different purposes for which the property is used; and applying the rates applicable to the categories determined by the municipal for properties used for those purposes to the different market value apportionments.

SECTION 10: LEVYING OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

A rate on a property which is subject to a sectional title scheme must be levied on the individual sectional title units in the scheme, and not on the property on a whole.

SECTION 11: AMOUNT DUE FOR RATES

A rate levied by a municipality on property must be stated as an amount in the rand:

On the marked value of the property;

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In the cases of public service infrastructure; on the market value of the public service infrastructure less 30% of that value;

In the case of property to which section 17(1)(h) applies, on the marked value of the property less the amount stated in that section (note the section concerned deals with the requirement that the first R15 000 of the market value of the certain properties is not rate able.)

SECTION 12: PERIODS FOR WHICH RATES MAY BE LEVIED

In levying rates, a municipality must levy the rates for a financial year. A rate lapse at the end of the financial year for which it was levied.

The levying of rates forms part of the municipality's annual budget process, and the municipality must therefore annually, at the time of its budget process, review the amount in the rand of its current rates in line with the annual budget for the next financial year.

A rate levied for a financial year may not be increased during a financial year [only] as provided for in section 28(6) of the Municipal Finance Management

SECTION 13: COMMENCEMENT OF RATES

A rate become payable as from the start of the particular financial year, or if the municipalities annual budget is not approved by the start of the financial year, as from such later date when the municipality's annual budget, including the resolution levying the rates, is approved by the provincial executive in terms of section 26 of the municipal finance management Act.

SECTION 14: PROMULGATION OF RESOLUTIONS LEVYING RATES

A rate is levied by a municipality by a resolution passed by the council with a supporting vote of a simple majority of its members.

The resolution levying the rates must be annually promulgated within 60 days of the date of the resolution by publishing the resolution in the provincial gazette, municipality's main office and satellite offices and libraries, and if the municipality has an official website or a website is available to it, on that website as well; and advertise in the media a notice stating that the resolution levying the property rates has been passed by the council, and the resolution is available at the municipality's head offices as so forth.

SECTION 15: EXEMPTIONS, REDUCTIONS AND REBATES

A municipality may in terms of the criteria, which it has set out its rates policy;

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Exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of the rate levied on their property; or grant to a specific category of owners, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.

In granting exemptions, reductions and rebates in respect of owners or categories of properties, a municipality may determine such categories in accordance with section 8 of the present Act and subsection 2A, and when granting exemptions, reductions or rebates in respect of categories or owners of properties, such categories may include:

Indigent owners;

Owners dependent on pensions or social grants for their livelihood;

Owners temporarily without income;

Owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;

Owners of residential properties with a market value lower than an amount determined by municipality; and owners of agricultural properties who are bona fide farmers.

The municipal manager must annually table in the council:

A list of all exemptions, reductions and rebates granted by the municipality during the previous financial year, and

A statement reflecting the income, which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates, exclusions referred to in the Act, and the phasing in discount granted in terms of Section 21.

All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

SECTION 16: CONSTITUTIONALLY IMPERMISSIBLE RATE

In terms of Constitution a municipality may not exercise its power to levy rates on property in a manner that materially and unreasonably prejudices national economic policies, economic across its boundaries, or the national mobility of goods, services, capital and labour.

If a rate on a specific category of properties, or a rate on a specific category of properties above a specific amount in the rand, is materially and unreasonably prejudicing any of the matters referred to above, the Minister of Provincial and Local Government may, by notice in the gazette, give notice to the relevant municipality that the rate must be limited to an amount in the rand specified in the notice.

SECTION 17: OTHER IMPERMISSIBLE RATES

A municipality may not levy on a rate on:

Subject to paragraph (aA), The first 30% of the market value of public service infrastructure:

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“(aA) on any property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of ‘public service infrastructure’;”;

Any part of the seashore;

Any part of the territorial waters of the Republic;

Any island of which the state is the owner;

Those parts of a special nature reserve, national park or nature reserve or national botanical garden, which are not developed or used for commercial, business, agricultural or residential purposes;

Mineral rights;

Property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses 10 years from the date on which such beneficiary’s title was registered in the office of the registrar of the deeds;

The first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined by the municipality for residential purposes or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes;

A property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of the community which is occupied by an office bearer of that community and who officiates at services at the place of workshop.

(The remainder of this section deals with situation where the various exemptions lapse)

SECTION 18: EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 17

A municipality may apply in writing to the Minister for Provincial and Local Government to be exempted from applying the exemptions granted in respect of the first 30% of the market value of public infrastructure, the exemptions on nature reserves, national parks and national botanical gardens, the exemption on property belonging to land beneficiaries, and the exemption applying to the first R15 000 of the market value of residential and mixed use property, if the municipality can demonstrate that exclusions are compromising or impending its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

SECTION 19: IMPERMISSIBLE DIFERENTIATION

A municipality may not levy:

Different rates on residential properties (except where transitional arrangements apply or where some of the properties are newly rate able);

A rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;

Rates which unreasonably discriminate between categories of non-residential properties; and

Additional rates, except as provided for in section 22.

The ratio referred to in subsection (1)(b) may be subject to prescribed norms and standards, and may only be prescribed with the concurrence of the Minister of Finance.”.

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SECTION 20: LIMITS ON ANNUAL INCREASES OF RATES

The minister of Provincial Local Government may, with the concurrence of the Minister of Finance and by notice in the gazette, set an upper limit on the percentage by which rates on properties or a rate on a specific category of properties may be increased. Different limits may be set for different kinds of municipalities or different categories of properties.

The minister may, on written application by a municipality, and on good cause shown, exempt such municipality from a limit set in terms of the foregoing.

SECTION 21: COMPULSORY PHASING IN OF CERTAIN RATES

A rate levied on newly rate able property must be phased in over a period of three financial years. Similarly, a rate levied on property owned by a land reform beneficiary must, after the exclusion period has lapsed, be phased in over a period of three financial years.

A rate levied on a newly ratable property owned and used by organizations conducting specified public benefit activities must be phased in over a period of four financial years.

The phasing in discount on a property must:

- In the first year, be at least 75% of the rate for that year otherwise applicable to that property;
- In the second year, be at least 50% of the rate for that year otherwise applicable to that property, and;
- In the third year, be at least 25% of the rate for that year otherwise applicable to that property.

No rate may be levied during the first year on newly rate able property owned and used by organizations conducting specified public benefit activities. Thereafter the phasing in discount shall apply as for other newly rate able property except that the 75% discount shall apply to the second year, the 50% to the third year, and the 25% to the fourth year.

A rate levied on newly rate able property may not be higher than the rate levied on similar property or categories of property in the municipality.

SECTION 22: SPECIAL RATING AREAS

A municipality may by a resolution of its council determine an area within that municipality as a special rating area, levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area, and differentiate between categories of properties when levying such additional rate.

For determining such a special rating area, the municipality must undertake a prescribed process of consultation with the local community, and obtain the consent of the majority of

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the members of the local community in the proposed special rating area who will be liable for paying the additional rate.

The levying of an additional rate may not be used to reinforce existing inequities in the development of the municipality, and any determination of a special rating area must be consistent with the objectives of the municipality's IDP.

SECTION 23: REGISTER OF PROPERTIES

The municipality must draw up and maintain a register in respect of all properties situated within that municipality, dividing such register into a part A and B.

Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls prepared from time to time.

Part B of the register specifies which properties on the valuation roll or any supplementary valuation rolls are subject to:

An exemption from rates in terms of Section 15 of the present Act;
A rebate on or a reduction in the rate in terms of Section 15;
A phasing in of the rate in terms of Section 21; and
An exclusion referred to in Section 17.

The register must be open for inspection by the public during office hours, and if the municipality has an official website or a website available to it, the register must also be displayed on that website.

The municipality must at regular intervals, but at least annually, update part B of the register.

SECTION 24: PROPERTY RATES PAYABLE BY OWNERS

The owner of the property must pay a rate levied by a municipality on property.

Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

In the case of agricultural property owned by more than one owner in undivided shares, the municipality must consider whether in the particular circumstances it would be more appropriate for the municipality to hold any one of the joint owners liable for all rates levied in respect of the agricultural property, or to hold any joint owner only liable for that portion of the rates levied on the property that represent that joint owner's undivided share in the agricultural property.

SECTION 25: PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

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The rate levied by a municipality on a sectional title unit is payable by the owner of the unit or the holder of a right contemplated in section 25 or 27 of the Sectional Titles Act.

The municipality may not recover the rate on such sectional title unit, or on a right contemplated in section 25 or 27 of the Sectional Titles Act registered against the sectional title unit or any part of such rate, from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit or the holder of such right.”.

SECTION 26: METHOD AND TIME OF PAYMENT

A municipality must recover a rate on a monthly basis, or less often as may be prescribed in terms of the Municipal Finance Management Act, or annually, as may be agreed to with the owner of the property. A person liable for a rate must furnish the municipality with an address where correspondence can be directed to.

If the rate is payable in a single annual amount, it must be paid on or before a date determined by the municipality. If the rate is payable in instalments, it must be paid on or before a date in each period determined by the municipality.

SECTION 27: ACCOUNTS TO BE FURNISHED

A municipality must furnish each person liable for the payment of a rate with a written account specifying:

The amount due for rates payable;

The date on or before which the amount is payable;

How the amount was calculated;

The market value of the property;

If the property is subject to any compulsory phasing in discount in terms of Section 21, the amount of the discount, and if the property is subject to any additional rate in terms of section 22, the amount due for additional rates.

The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, that person must make the necessary enquiries from the municipality.

SECTION 28: RECOVERY OF RATES IN ARREAS FROM TENANTS AND OCCUPIERS

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If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date is determined for payment by the municipality, the municipality may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary or occupier. The municipality may recover an amount only after it has served a written notice on such tenant or occupier.

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The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable, but not yet paid, by such tenant or occupier to the owner of the property.

SECTION 29: RECOVERY OF RATES FROM AGENTS

A municipality may recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality, but only after the municipality has served a written notice on the agent in this regard.

The amount that the municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.

SECTION 30: GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS

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A municipality intending to levy a rate on property must cause a general valuation to be made of all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation.

All rate able properties in a municipal area must be valued during such general valuation, including all properties fully or partially excluded from rates in terms of Section 17 of the present Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by a municipal entity, on rights in properties, and on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past discrimination, the municipality is not obliged to value such properties as part of the valuation process.

A municipality may also apply to the Minister for exemption for the obligation to value properties excluded from rates in terms of Section 17 if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.

Properties, which have not been valued, because of any of the foregoing considerations, must nevertheless be included in the valuation roll.

SECTION 31: DATE OF VALUATION

For the purposes of general valuation a municipality must determine a date that may be not more than 12 months before the start of the financial year in which the valuation roll is to be first implemented.

The general valuation must reflect the market values of properties in accordance with market conditions, which apply as at the date of the valuation, and in accordance with any other applicable provisions of the present Act.

SECTION 32: COMMENCEMENT AND PERIOD OF VALIDITY OF VALUATION ROLLS

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A valuation roll takes effect from the start of the financial year following completion of the public inspection period required by the present Act, and remains valid for that financial year or for one or more subsequent financial years, as the municipality may decide, but in total not for more than five financial years.

Section 32 (2) provides for the extension of the period of the validity of the valuation roll by the MEC for Local Government, but only up to a period of seven financial years, and only in specified circumstances.

SECTION 46: GENERAL BASIS OF VALUATION

The market value of a property is the amount the property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer.

SECTION 47: VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES

When valuing a property, which is subject to a sectional title scheme, the valuer must determine the market of each sectional title unit in the scheme.

SECTION 77: GENERAL

A municipality must regularly, but at least once a year, update its valuation roll by causing a supplementary valuation roll to be prepared, or the valuation roll itself to be amended.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/ variations have been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

TARIFF POLICY

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Tariff Policy

1. Preamble

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA) the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA).

In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

1. DEFINITIONS

In this policy, unless the context otherwise indicates: -

“Agreement” means the contractual relationship between the Municipality or an authorised agent and a consumer;

“Authorised agent” means -

- Any person authorised by the Municipality to perform any act, function or duty in terms of, or exercise any power under this policy or
- Any person to whom the Municipality has delegated the performance of certain rights, duties and obligations in respect of providing revenue services; and /or
- Any person appointed by the Municipality in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorised in such contract;

“Domestic purposes”, in relation to the supply of electricity and refuse, means electricity and refuse services supplied used predominantly for residential purposes;

“Flat” means a suite of rooms forming a complete unit exclusively used as a residence and contained in a building consisting of two such dwelling-units or more, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Home for the aged, retirement centre or home for the disabled” means dwelling-units occupied exclusively by the aged or disabled, excluding a hotel, boarding and lodging undertaking and place of instruction.

“Household” means a traditional family unit consisting of persons related in some way;

“Industrial purposes”, in relation to the supply of electricity and refuse services, means electricity and refuse services supplied to any premises, which constitutes a factory, as defined in the General Administrative Regulations made under the Occupational Health and Safety Act, 1993 (Act 85 of 1993);

“Occupier” includes any person in actual occupation of the land or premises without regard to the title under which he occupies it and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein;

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“Parks” means a public area where no access is charged and no business is run from.

“Person” means any natural person, local government body, a company or close corporation incorporated under any law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association or trust;

“Premises” means any piece of land, the external surface boundaries of which are delineated on:

- a general plan or diagram registered in terms of the Land Survey Act, 1927 (Act No. 9 of 1927), or in terms of the Deeds Registries Act 1937, (Act No. 47 of 1937);
- a sectional plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986);
- a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority;

“Special Residential” is a stand zoned exclusively for one dwelling-house with one home undertaking, which means a suite of rooms forming a unit which is designed, intended or used for residential purposes by a single family

“Account” means any account rendered for municipal services provided;

“Actual consumption” means the consumption measured, of any consumer;

“Applicable tariff” means the rate, charge, tariff, flat rate, or subsidy determined by the Municipal Council;

“Approved” means approved by the Municipality or its authorised agent in writing;

“Average consumption” means a consumer's estimated average consumption of a municipal service during a specific period, which is calculated by dividing the consumer's total measured consumption of that municipal service for the preceding four months by four;

“Basic electricity supply” means the minimum standard of electricity supply services necessary for the reliable supply of electricity to households to support life and personal hygiene, prescribed in terms of the Act under regulation 3 of Government Notice R509 of 8 June 2001, as amended from time to time, or any substitution for that regulation;

“Connection” means the point at which a consumer is able to access municipal services;

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“Consumer” means:

- (a) Any person who occupies premises to whom and in respect of which premises the Municipality-
- Has agreed to provide electricity and refuse services;
 - Is actually providing electricity and refuse services;
 - Has entered into an agreement with the Municipality for the provision of electricity and refuse services or on any premises;
- (b) The owner or tenant of any premises to which the Municipality is providing electricity and refuse services;
- (c) Where electricity services are provided through a single connection to a number of accommodation units or consumers or occupiers, means the person to whom the Municipality agreed to provide such electricity services; and
- (d) Any end-user who receives electricity and refuse services from the Municipality.

“Container” means all types of containers owned by the Municipality including, plastic bags and bulk containers;

“Determined” means determined by the Municipality from time to time;

“Emergency situation” means any situation that if allowed to continue poses a risk or potential risk to the financial viability or sustainability of the Municipality or a specific municipal service;

“Meter” is defined as a device that measures the amount of electric energy consumed by a residence, business, industrial or electrically powered device.

“Municipality” means –

- Ephraim Mogale Local Municipality or;
- the Municipal Manager of the Ephraim Mogale Local Municipality in respect of the performance of any action or exercise of any right, duty, obligation or function in terms of this policy;
- an authorised agent of the Ephraim Mogale Local Municipality;

“Municipal Council” means the Municipal Council as referred to in section 157(1) of the Constitution, 1996 (Act No. 108 of 1996);

“Municipal Manager” means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of section 82 of the Local

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Government Municipal Structures Act, 1998 (Act No.117 of 1998) and includes any person –

- acting in such position; and
- to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;

“Municipal services” means for purposes of this policy, services provided by the Municipality, including refuse removal, electricity services and rates or any one of the trading or economic services;

“Municipal area” means the area in respect of which the municipality has executive and legislative authority as determined by the constitution and the National legislation and the area as demarcated by the Demarcation Act (Act 27 1998);

“Public notice” means publication in an appropriate medium that may include one or more of the following –

- publication of a notice, in the official languages determined by the Municipal Council, –
 - (i.) in the local newspaper or newspapers in the area of the Municipality;
or
 - (ii.) in the newspaper or newspapers circulating in the area of the Municipality determined by the municipal council as a newspaper of record; or
 - (iii.) by means of radio broadcasts covering the area of the Municipality; or
- displaying a notice at appropriate offices and pay-points of the Municipality;
or
- communication with customers through public meetings and ward committee meetings;

2. INTRODUCTION AND OBJECTIVE

In order to give effect to the provisions of the Constitution, the Municipality must give priority to the basic needs of the local community, to promote the development of the local community and to ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the Municipality must be:

- Equitable and accessible;
- Provided in a manner conducive to the prudent, economic, efficient and effective use of available resources and the improvement of standards of quality over time;
- Financially sustainable;
- Environmentally sustainable; and
- Regularly reviewed with a view to the upgrading, extension and improvement of services

Various statutes enable authorities rendering certain services to impose tariffs. To ensure that the cost of services rendered is recovered as far as possible, tariffs have to be revised on an annual basis.

This policy has been compiled to address tariffs for services and comply with the requirements and guidelines as set by following acts and other documents:

- SALGA – Local Government Financial Best Practise Manual
- The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
- The Municipal Systems Act, Act 32 of 2000
- The Municipality's Indigent Policy
- Municipal Finance Management Act, Act No. 56 of 2003
- Property Rates Act, Act No. 6 of 2004

3. The purpose of this policy is therefore to:

- set clear guidelines in the identification of responsibility for the setting and implementation of a tariff policy for the Municipality;
- set guidelines for the identification of different categories of users;
- Set guidelines for the determination of tariffs for the different categories of users and services rendered.

The policy will further lay down the broad principles, which will result in the adoption of a By-Law for the implementation and enforcement of the Tariff Policy.

Service tariffs imposed by the Municipality shall be viewed as user charges and shall not be viewed as taxes.

4. Principles

In terms of S74 (2) of the Municipal Systems Act of the following principles should at least be taken into account when formulating a Tariff Policy,

- The users of municipal services should be treated equitably in the application of tariffs.
- As far as practically possible, consumers should pay in proportion to the amount of services consumed.
- All households, with the exception of the poor (indigent), should pay the full costs of services consumed. Poor households must have **access to at least a minimum** level of basic services through:
- Tariffs that cover the operating and maintenance costs,
- Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or
- Any other direct or indirect method of subsidization of tariff for poor households.
- Tariff must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.
- Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidisation from sources other than the service concerned.
- Provision may be made in appropriate circumstance for a surcharge on the tariff for a service.
- Provision may be made for the promotion of **local economic development** through a special tariff for categories of the **commercial** and **industrial** users.

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- The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.
- The extent of subsidisation of the **poor households** and other categories of users should be **fully disclosed**.

In terms of S74 (3) of the MSA a tariff policy may differentiate between different categories of users, debtors, service providers, services and geographical areas as long as the differentiation does not amount to unfair discrimination. In order to give full effect to this section, Section 75 (1) of the MSA provides for the municipal council to adopt bylaws.

5. Classification and Pricing Strategies of Services

There are basically three categories of municipal services (i.e. trading, rate and general and housing services) which are discussed as follows:

5.1. Trading Services

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised. Examples of these services includes electricity and water.

5.1.1. Electricity

Electricity will be measured with an electricity meter, which meters will be read and consumption will be levied on a monthly basis unless is rendered through a pre-payment device:

- (a) Maximum Demand plus kWh consumed: or
- (b) Fixed cost plus kWh consumed; or
- (c) Cost per unit kWh consumed.
- (d) Basic charge per customer category.

The Council have introduced inclining block tariff structure for electricity in line with National Electricity Regulation of South Africa which consumers that use more of a service will pay progressively more for the higher consumption than those who consume less of a service.

The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose full costs includes:-

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- Direct operating costs e.g. Salaries, allowances including overtime, materials used, repairs and maintenance, general expenses and plant and vehicle hire.
- Depreciation / capital charges based on usage, life of buildings, plant and equipment and infrastructure used.
- Financing outlays which includes loan service costs.
- Allocated costs that include costs allocated through support services.

5.2. Economic Services

This service include refuse removal, sewerage Disposal and recreational resorts/facilities.

The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:-

- Full cost of providing the service.
- The rate per unit is based on projected usage.

5.2.1Waste management (Refuse Removal) tariff

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by Council in each annual budget. Tariff adjustments shall be effective from 1 July of each year.

- A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the cost of the service concerned:
 - Domestic and other users (once weekly removal)
 - Business and other users (once weekly removal)
 - Business and other (bulk consumers)
- The Municipality reserves the right to determine the type of service, the minimum number of containers and the frequency of services.

EPHRAIM MOGALE LOCAL MUNICIPALITY

- Only the Municipality or its authorised agent may service or remove containers owned by the Municipality.
- The Municipality or its authorised agent shall service only containers provided by the Municipality and marked as such. All other containers shall be confiscated if the private operator/owner is not registered with the Municipality.
- Dwelling units must pay the applicable tariff per household irrespective of the number of containers put out for removal.
- The Municipal Manager will determine the service per residential area or user for the removal of waste.
- Smallholdings not serviced by the Municipality may dispose their waste at the Municipality's dumping site at the tariff approved by Council.
- Domestic, business and garden waste will be removed by means of containers or waste bags in all jurisdiction of the Municipality. Tariff per container per month or part of a month will depend on the size of the container.
- A daily service is compulsory in terms of the Health Act for each and every business generating food residues.
- Handling fee for lost containers to be replaced, as well as the cost of the container at the same price as the contract price of the Municipality.
- Casual waste-removal service will be available for use of temporary venues and the charges must be paid in cash in advance.
- Provincial Government hospitals within the jurisdiction area of the Municipality will be charged for waste removal only.
- Registered indigents may receive such discount on this charge as Council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge
- Hospitals and medical practitioners may not dispose of any medical toxic waste as part of the Municipal waste management system. Such waste must be dispose of by the parties mentioned on own cost and own arrangements.

5.3. Subsidised Services

These services include library, building plans, leasing of municipal facilities and other town planning services.

These are services for which tariffs are **fixed** in such a way that at least a portion of the cost of providing the service can be recovered. The consumption of these services can be determined reasonably accurately and can be apportioned to individuals and consumers. However, if the tariffs for using this service were based on its real cost, nobody would be able to afford it. In most cases not only would the consumer benefit from using the service, but also other persons. Therefore, **user charge** is payable for using the service, but the **tariff is much lower** than the **real cost of providing the service**. These services include approval of building plans, leasing of municipal facilities and certain town planning functions:

5.3.1. Library charges

The Municipality may raise library charges. The library charges are at a fixed tariff for all residents.

Refer to annually council Sundry approved tariff structure

5.3.2. Town planning charges

Charges are payable to local authorities in terms of the provisions of the town planning and township ordinance 1986 (no. 15 of 1986). These charges are based on the service supplied.

Refer to annually council Sundry approved tariff structure

5.3.3. Charges for the approval of building plans

Fees are payable to the Municipality for the approval of building plans. These charges are based on the total square meters of the property.

Refer to annually council Sundry approved tariff structure

5.3.4. Housing rentals

Market-related rentals shall be charged for the lease of the Municipal houses and in case of renting to municipal employees, the rental shall be 6% of the said employee's basic salary.

Refer to annually council Sundry approved tariff structure

5.4. Community Services

Community services are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates. These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and the establishment, management and maintenance of cemeteries and traffic regulation. In addition to the above services domestic refuse removal is also a community service provided directly to all the residents and businesses and for which costs form part of a balanced budget:

5.4.1. Burial services

The Municipality may charge fees for the burial services, based on the residential status of the deceased.

Refer to annually council Sundry approved tariff structure

5.4.2. Rental of Municipal halls, Sports Fields and premises

When the Municipal Manager is satisfied that the halls, Sports Fields or premises are required for non-profit making purposes and for the provision of a service to the community, the Municipal Manager may waive 25% of the applicable rental or deposit.

The Municipal Manager shall determine whether an indemnity or guarantee must be lodged in each instance, for the rental of municipal halls, premises and sports fields and in so determining shall be guided by the likelihood of the Municipality's sustaining damages as a result of the use of the facilities concerned.

Rental agreements should be completed and signed for each individual rental transaction.

Refer to annually council Sundry approved tariff structure

5.5. Sundry charges

Users shall be charged, as set out below, at the applicable tariff as approved by Council in each annual budget. Tariff adjustments will be effective from 1 July each year.

All sundry tariffs shall be standardised within the Municipal region.

All sundry tariffs, when deemed appropriate by Council, will be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

All sundry tariffs over which the Municipality has full control and which are not directly related to the cost of a particular service, shall be adjusted annually to be at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be affected.

Fees will be charged for the following sundry services supplied by the Municipality to consumers:

- Unpaid debit orders (per account)
- Supply of information (faxes) per page
- Supply of information (statements)
 - Monthly account
 - Furnishing of valuation certificates
- Furnishing of clearance certificate
- Duplicate of clearance certificate
- Final meter reading levy
- Sales of plastic refuse bags
- Sales of refuse bins
- Photostat copies and fees
- Advertising sign fees or banners

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- Penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- Penalty charges for the submission of dishonoured, post-dated or otherwise unacceptable cheques
- Removal of garden refuse
- Posters
- Removal of building rubble
- Cleaning of stands
- A fine may be imposed on the owner of a stand, if the owner fails to fence in the stand within three months of signing of the purchase agreement.

Refer to annually council approved tariff structure

5.6. Assessment rate tariff

- Assessment rates must be levied in accordance with the Municipal Property Rates Act, Act No 6 of 2004.
- Assessment rates are based on a fee that is calculated as “cent in the Rand”. The municipality may in terms of the criteria set out in its policy and Municipal Property Rates Act, levy different rates for the different categories of ratable property. Rates are levied as an annual amount which are payable either on monthly basis or annual basis.
- In applying its rates policy the council shall adhere to all the requirements of the Property Rates Act, 2004, including any regulations promulgated in terms of that Act.
- A general valuation should be made on all properties that fall within the Municipality in terms of the Municipal Property Rates Act

Refer to annually council approved Rates tariff structure

5.7. Deposits

The municipality reserves the right to require the consumer to deposit a sum of money as security in payment of any charges which are due or may become due to the municipality.

Refer to annually approved council sundry tariff and credit control and debt collection policy.

6. Keeping Tariffs Affordable

The Council is keenly aware of the financial situation of most residents within the municipal area. Therefore, the Council undertakes to keep tariffs at affordable levels. The Council is also aware that due to historical reasons many residents receive services at a level higher than what they can afford. In order to remain affordable the Council will ensure that:

- Services are delivered at an appropriate level,
- Efficiency improvements are actively pursued across the Municipalities' operations,
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it and which requires the Municipality to maintain significant infrastructure and other facilities.

7. Redistribution/ Cross Subsidisation

It is a fact that some members of the community are better able to afford to pay for the services that they use and have the benefit of, than others are. The budget of the Municipality is an important device in ensuring redistribution within the community. Those that pay higher property rates based on the value of their properties, in fact subsidise those who pay less tax. Also, the Council where practical uses the trading surplus it realises on the trading account to bring relief with regard to property tax rates. Likewise the Council will ensure that the cross-subsidisation occurs between and within services to further contribute to its redistribution objectives.

8. Ensuring Financial Sustainability of Service Delivery

The Constitution, Local Government Municipal Systems Act, 2000 requires that the Municipality must ensure that the services that it provides must be sustainable.

Financial sustainability of an enterprise will be achieved when it is financed in a manner that ensures that its financing is sufficient. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are fully recovered.

9. Tariff Determination Process

In terms of Section 75 (A) of the MSA Amendment Act 51/2002, a municipality may, Levy and recover fees, charges or tariffs in respect of any function or service of the municipality that such fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members. The proposed tariffs will be presented to the community during Council's consultations process about the budget. Except in special circumstances, such as significant increase in the wholesale price of goods and services, the Council purchases during a year to provide services, the Council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during Council's consultations process about the budget.

Immediately after the Council has determined or amended a tariff, the municipal manager must cause to be conspicuously displayed at a place installed for this purpose at all the offices of the Municipality as well as at such other places within the municipal area as she / he may determine, a notice. The notice must state:

- The general purpose of the resolution,
- The date on which the determination or amendment comes into operation, which date may not be earlier than 30 days after the determination or amendment,
- The date on which the notice is displayed,
- That any person who desires to object to such determination or amendment must do so in writing within **14** days after the date on which the notice was displayed, and
- That any person who cannot write may come during office hours to a place where a staff member of the Municipality named in the notice, will assist that person to transcribe her / his objection.

If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council. Where an objection is lodged, the Municipality will consider every objection. The Council may after it has considered all objections, confirm amend, or withdraw the determination or amendment and may determine another, on the date on which the determination or amendment will come into operation. After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.

10. Conclusion

The terms of the above policy is that once it is adopted, it would in respect of S 75 (1) (b) of the MFMA, be placed on the website referred to. In addition to Section 21 A of the MSA, this policy will be reviewed annually and adopted by Council before the Budgets are finalised. This policy shall be effective from the 1st of July.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

TRAVEL AND SUBSISTENCE POLICY

DOCUMENT APPROVAL

| Responsible Person: | Name | Signature | Date |
|------------------------|------|-----------|------|
| | | | |

Date approved: _____

EPHRAIM MOGALE LOCAL MUNICIPALITY

The policy applies to all Councillors and Officials of Ephraim Mogale Local Municipality who are travelling on official business and as such becomes formal representatives of the Municipality.

1. DEFINITIONS

For the purpose of this policy, the following words will have the meanings as indicated:

“ad hoc transport allowance” means the allowance payable to any official not receiving either a fixed, or negotiated travelling allowance, but who are requested to use private transport in the execution of his/her duties if an official vehicle is not made available.

“Applicable rate” means the rate paid as determined by the Council from time to time and published by the Department of Transport on monthly basis for vehicle operating cost whichever is the approved rate.

“Council” means the Council of Ephraim Mogale Local Municipality.

“Councillor” means a Councillor elected to serve in the Council.

“Delegate” means any Councillor or any Official that received permission to attend an official visit as contemplated in section 3 of the policy.

“Designated Driver” means an official of the Municipality driving a municipal vehicle to an authorised destination performing authorised duties.

“Ephraim Mogale Local Municipal area” means the area determined by the National Demarcation Board for the municipal area of jurisdiction as it exist after the 2000 Local Government Elections.

“Official visit” means the attendance of meetings, seminars, congresses, workshops, training courses or any other event that a delegate attends in his/her official capacity for which prior approval has been obtained and includes the attendance of meetings of institutes by Councillors and/or Officials that have been selected to serve on the management structures of such institutes.

2. APPROVAL

2.1 Visits by official not receiving transport allowance within the Ephraim Mogale Local Municipality’s area of jurisdiction shall be subject to the approval by the Manager prior to the visit, provided that the expenses to be incurred are on the approved budget of the relevant department.

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- 2.2 Visits by official to areas outside Ephraim Mogale Local Municipality boundaries shall be subject to approval by the relevant Manager, provided that the expenses to be incurred are on the approved budget of the relevant department. Reports on the activities of the attended meetings must accompany the claims.
- 2.3 The Mayor shall approve official visit of the Municipal Manager, provided that expenses to be incurred are on the approved budget of the relevant vote.
- 2.4 The Municipal Manager shall approve official visits of the Directors, provided that expenses to be incurred are on the approved budget of the relevant vote.
- 2.5 Official visits by the Speaker, Members of the Executive Committee shall be subject to approval by the Mayor provided that the expenses to be incurred are on the approved budget of the relevant vote.
- 2.6 The Speaker shall approve the official visit by the Mayor and other Councilors provided the expenses to be incurred are on the approved budget.
- 2.7 Official visits outside of South Africa shall be subjected to prior approval by the Council provided that the expenses to be incurred are provided for on the relevant vote of the approved budget.

3. TRAVELLING EXPENSES

- 3.1 Officials receiving transport allowance:
 - 3.1.1 Officials receiving a transport allowance shall not be reimbursed for trips within the boundaries of Ephraim Mogale Local Municipality.
 - 3.1.2 Only kilometers travelled to the destination outside the boundaries of the municipality shall be reimbursed according to the department of transport rates.
 - 3.1.3 Kilometers travelled to any destination within the boundaries of the municipality shall not be reimbursable to officials receiving transport allowance.
 - 3.1.4 Documentary proof must be attached to all anticipated trip.
 - 3.1.5 The point of departure for trips undertaken by official shall acceptably be from the municipality's main offices and not from individual's homes.
 - 3.1.6 With reference to 3.1.5, in instances where the point of departure for the anticipated trip is shorter than that of the Municipality's main

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office and the venue, the point of departure shall be from the home of the official.

3.1.7 The Municipality shall reimburse travelling expenses based on the shorter distance travelled.

3.2 Officials not receiving transport allowance:

3.2.1 Vehicle used must be in the name of the official or his spouse.

3.2.2 All claims submitted must be based on the actual vehicle used for the trip.

3.2.3 Payment for travelling expenses shall be based on department of transport rates.

3.2.4 Trips must be limited as far as possible to absolute essential ones and official transport should be used where possible.

3.2.5 The point of departure for trips undertaken by official shall acceptably be from the municipality's main offices and not from individual's homes.

3.2.6 With reference to 3.2.5, in instances where the point of departure for the anticipated trip is shorter than that of the Municipality's main office and the venue, the point of departure shall be from the home of the official.

3.2.7 The Municipality shall reimburse travelling expenses based on the shorter distance travelled.

3.3 Transport costs payable to Councillors:

3.3.1 Any allowance or transport costs payable to Councillors shall be subject to the regulations pertaining to the remuneration of public office bearers as promulgated by the Provincial Department of Local Government in terms of the Public Office Bearers Act, Act 20 of 1998.

3.3.2 Only kilometers travelled to the destination outside the boundaries of the municipality shall be reimbursed according to the South African Revenue Services (SARS) rates as reviewed annually.

3.3.3 Kilometers travelled to any destination within the boundaries of the municipality shall not be reimbursable.

3.3.4 Documentary proof must be attached to all anticipated trip.

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3.3.5 The point of departure for all trips undertaken by all Councillors shall be as follows:

3.3.5.1 Full time Councillors : Municipality main offices and not from individual's homes.

3.3.5.2 Part time Councillors : Councillor's individual home and not Municipality main office.

3.4 Domestic and International Flights:

3.4.1 The Mayor, Councillors, Municipal Manager, Directors, Managers and officials as delegated may travel by means of economy class at the best available fare.

3.4.2 In the case of group bookings, scheduled and sponsored tours or travelling with delegations from National/Provincial Government, the South African Local Government Association (SALGA) or from any other government institution or private sector on official approved trips, such Councillors and officials may travel by means of the same class as the members of the delegations which they accompany.

3.4.3 All requests for air travel must be made at the most appropriate rate applicable at the time of travel, officials are to finalise the relevant bookings where possible well in advance of the intended trip.

3.5 Hiring of vehicles:

3.5.1 Where deemed necessary, the hiring of vehicles for travel within the boundaries of the Republic of South Africa outside Ephraim Mogale Local Municipality boundaries may be authorised by the Speaker for Councillors, Mayor for Executive Committee Members and the Municipal Manager for Directors and by Directors for Managers as may be delegated.

3.5.2 An official travelling must have a valid South African drivers' license to be able to hire a vehicle from the approved vehicle agency.

3.5.3 The Mayor and the Speaker shall hire a vehicle with an engine capacity not exceeding 3000 cc.

3.5.4 Councillors, Municipal Manager, Directors and Managers any vehicle with an engine capacity not exceeding 2000cc.

3.5.5 All other officials any vehicle with an engine capacity not exceeding 1600cc.

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- 3.5.6 For groups of five (5) officials and more, any vehicle with an appropriate capacity limited to a microbus.

4. SUBSISTENCE

4.1 Overnight stays:

4.1.1 Accommodation expenses shall be payable when travelling to a destination outside the boundaries of Ephraim Mogale Local Municipality when it can reasonably be expected of a Councillor or an official to stay overnight during an official visit.

4.1.2 No accommodation shall be payable for official visits within Ephraim Mogale Local Municipality boundaries.

4.1.3 If the distance related to an official journey exceeds 150km or the starting time on the day of the event/meeting is scheduled earlier than 9:00 in the morning of the subsequent day, a delegate may stay overnight, subject to the approval of the journey by the Speaker for Councilors and the Municipal Manager, or Director for officials subject to the availability of sufficient funds in the relevant vote.

4.1.4 Accommodation must, as far as possible, be arranged to be within a 20 km radius from venue of the event. In instances where it is impractical pre-approval must be obtained from the Municipal Manager or relevant Director, failing which no additional cost shall be reimbursed for travelling expenses.

4.2 Accommodation expenses:

4.2.1 If a delegate is required to stay overnight at a Hotel, Guesthouse or at a Lodge all cost shall be paid directly to the account of the host for lunch/dinner and soft drinks which shall exclude alcohol.

Arrangements with the Hotel, a Guesthouse or a Lodge with regard to accommodation (bed and breakfast) must be made prior to the delegate's departure and payment shall only be made to the specific hotel based on the quotation or a pro forma invoice received.

4.2.2 Delegates must ensure that where possible accommodation is sought at a minimum THREE (03) STAR and a maximum FOUR (04) STAR accommodation.

4.2.3 No any "extras" related to accommodation shall be paid other than what is listed on the quotation or pro forma invoice received, therefore such "extras" shall be settled by the delegate prior to departure.

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4.2.4 An amount determined annually by the South African Revenue Services shall be payable to officials who stay at an overnight accommodation not arranged by the Municipality.

4.3 Day and Overnight Allowance:

4.3.1 A maximum of R109,00 per day for official journeys shall be payable for refreshments, meals and soft drinks, if an official is away from his/her normal workplace longer than six (6) hours, but who does not stay overnight.

4.3.2 An overnight allowance of R130.00 shall be payable for spending a night away from home on an official business trip.

4.4 Miscellaneous expenses

4.4.1 The maximum that may be claimed where miscellaneous expenditure is incurred for official visits by Councillors and officials outside Ephraim Mogale Local Municipality boundaries shall be subject to the submission of documentary proof of expenditure such as:

5.4.1.1 Parking fees;

5.4.1.2 Toll fees; (normal and e-Toll)

5.4.1.3 Bus fares/taxi fares subject to prior approval by the Municipal Manager or relevant Director.

5. SUBSISTENCE PAYABLE WITH RESPECT TO OVERSEAS VISITS

5.1 When travelling to a countries outside of the Republic of South Africa, the daily maximum amount allocated per country which is deemed to be expended as issued by department of transport in a Government notice on an annual basis determining daily amounts, calculated from the first day of departure, shall be paid to any official or Councillor on condition that documentary proof of expenditure is provided within thirty (30) days after returning from a trip. Should proof of expenditure not be submitted in the prescribed time or the full advance given not be utilised, the advance or balance thereof shall be deducted from the next salary of the relevant Councillor or official.

5.2 The daily allowance is meant to cover for all meals, transport costs, official telephone, fax, internet calls and other incidental costs which may be incurred.

5.3 The amount payable may be revised by Council depending on the exchange rate and the country that is visited.

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- 5.4 Accommodation for international travel must be equivalent to hotel accommodation used by business travelers, in the case of attendance of a conference the conference hotel may be used or the most convenient hotel nearest to the conference venue.

6. INTERVIEWS

The following shall be payable to invited applicants travelling to Ephraim Mogale Local Municipality for interviews:

- 6.1 Travelling cost shall be paid according to South African Revenue Services rates.
- 6.2 The actual accommodation cost for bed and breakfast to a maximum amount of R600,00 per night for one night only.
- 6.3 No other meal expenses or drinks shall be paid for.
- 6.4 The Manager Human Resource must at all times inform invited applicants of the reimbursement cost payable for attending interviews, and provide claim forms on the day of interviews.
- 6.5 All accommodation and travelling reimbursement for interviewee shall be financed from the Human resource division vote.

7. TRAVELLING EXPENSES FOR AUDIT COMMITTEE MEMBERS

- 7.1 Travelling expenses for members of the Audit Committee shall be paid in terms of the South African Revenue Services rates.

8. GENERAL

- 8.1 Any deviation from and ratification of minor breaches of the travelling and subsistence policy must be approved by the Municipal Manager but only;
- (i) in an emergency;
 - (ii) if such arrangements are not included in the policy;
 - (iii) in the case of special circumstances and other exceptional cases where it is impractical to follow the travelling and subsistence policy.
- 8.2 If proof of expenditure cannot be provided as required in terms of this policy the expenditure incurred shall be for the account of the relevant delegate.
- 8.3 Delegates who stay overnight must within five (5) working days from return submit the original invoices received from the hotel/guesthouse/ or lodge to the expenditure section in Budget & Treasury Office to confirm the

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attendance and enable reconciliation of cost incurred. Failure to submit will result in the claim not being paid.

- 8.4 Delegates may only submit one (1) travel and subsistence claim on the prescribed form per event (excluding toll gate fees) which should include all costs incurred allowed to be claimed in terms of this policy.
- 8.5 Claims must be submitted not later than 60 days from the date of the trip as claims received after this period shall be rejected.
- 8.6 Payments of travel and subsistence shall be as follows:
- 8.6.1 All claims received by the Budget & Treasury Office between the 04th of a month and / including the 16th of the month shall be paid with the monthly salaries.
- 8.6.2 All claims received by the Budget & Treasury Office between the 17th of a month and/ including the 3rd of the succeeding month will be paid by the 6th of the subsequent month where possible.
- 8.7 In the event that an individual was granted permission to attend a function/event/workshop/meeting/training at the cost of the Municipality but could not attend and no written valid reason could be provided, costs incurred by Municipality shall be claimed from the individual's salary.
- 8.8 Claims for travel are limited to vehicle owned by the delegate or their spouse in the service of Ephraim Mogale Local Municipality. It is therefore compulsory for all claimants to submit copies of the following documents to Budget & Treasury Office as proof of ownership:
- 8.8.1 Certificate of registration (obtainable from Registration Authority).
- 8.8.2 Form 161 (obtainable from Registration Authority).
- 8.9 Where a Council owned vehicle is used, the designated driver shall be responsible for the payment of all traffic fines related to reckless and negligent driving, speeding and none usage of safety belt. The fine shall be paid by Council and the paid amount shall be deducted from the individual's salary.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation or Bargaining Council Main Agreement has jurisdiction to supersede.

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Ephraim Mogale Local Municipality

TRAVEL AND ACCOMODATION APPROVAL FORM

(Invitation to be attached as proof)

| | | |
|---|----------------------------|--------------------------|
| Name | | |
| Date of trip | | |
| Destination | | |
| Purpose of trip | | |
| | | |
| | | |
| Number of official(s) | | |
| Name of attendee(s) | (1) | |
| | (2) | |
| | (3) | |
| | (4) | |
| Number of days to be spent | | |
| Number of nights to be spent | | |
| Tick whether using own Vehicle or Council | <input type="checkbox"/> | <input type="checkbox"/> |
| | Own | Council |
| Particulars of vehicle: (Provide full particulars for own vehicle and only the <u>Make and Registration number for Council vehicle</u>) | (1) Vehicle Make: | |
| | (2) Year Model: | |
| | (3) Engine Capacity: | |
| | (4) 4x4, 4x2, S/Cab, D/Cab | |
| | (5) Fuel (diesel/petrol): | |
| | (6) Registration number: | |
| | (7) Purchase Price: | |

NB:

Receipt of invitation/identification of duties or functions to be performed elsewhere is not an automatic authorization to attend such a workshop / event. The required authorization or permission must still be obtained.

Signature Applicant

Manager /Supervisor

Director

Date

Date

Date

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Ephraim Mogale Local Municipality

CLAIM FOR TRAVEL & SUBSISTANCE FOR OFFICIALS AND COUNCILLORS

| | |
|-------------------------------------|---|
| NAME OF CLAIMANT: | |
| SALARY NUMBER: | |
| POSITION OF CLAIMANT: | |
| VEHICLE MAKE | |
| YEAR MODEL: | |
| REG NO: | |
| ENGINE CAPACITY: | |
| FUEL | |
| PURCHASE PRICE: | |
| OWN <input type="checkbox"/> | OFFICIAL <input type="checkbox"/> (MARK WITH X) |

CLAIM FOR TRAVEL COSTS

| DATE | FROM | TO | ROUTE USED | KM |
|------|------|----|------------|----|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

OVERNIGHT ALLOWANCE

| DATE BOOKED IN: | DATE BOOKED OUT: | TOTAL NIGHTS: |
|-----------------|------------------|---------------|
| | | |
| | | |
| | | |

DAY ALLOWANCE (6 HOURS AND/OR MORE)

| DEPART | | RETURN | | PURPOSE |
|-------------|-------------|-------------|-------------|---------|
| <i>Date</i> | <i>Time</i> | <i>Date</i> | <i>Time</i> | |
| | | | | |
| | | | | |
| | | | | |

I, the undersigned, hereby certify that this claim submitted, is in respect of actual distances travelled for official purposes and/or actual period taken into effect.

Signature Applicant

Manager

APPROVED. Director

DATE

DATE

DATE

NB: Claims must be submitted for payment within 60 days in terms of Clause 7.5 of this Policy.

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FOR HUMAN RESOURCES AND BTO DEPARTMENT USE

NB: Claims must be submitted for payment within 60 days in terms of Clause 7.5 of the Policy.

CALCULATIONS:

AIR TICKET _____ @ R _____ R _____

TRAVEL COST (per AA tariffs or _____ km @ R _____ km SARS) R _____

OVERNIGHT ALLOWANCE _____ @R 130.00 per night R _____

DAY ALLOWANCE AS PER SARS RATES _____ per day R _____

OTHER COSTS (Toll gates _____ @ R _____ and e – Toll etc) R _____

CHEQUE AMOUNT: R _____

DEBIT VOTE NO: _____

Checked by : _____
HR Official Date

Checked by: _____
BTO Official Date

APPROVED: _____ **DATE:** _____
CHIEF FINANCIAL OFFICER



Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

CELL PHONE POLICY

DOCUMENT APPROVAL

| Responsible Person: | Name | Signature | Date |
|------------------------|------|-----------|------|
| | | | |

Date approved: _____

CELLULAR PHONE POLICY

1. OBJECTIVE

1.1 The objective of the policy is to:

- 1.1.1 regulate payment of cell phones allowances to designated employees of Ephraim Mogale Local Municipality, who have to use means of communication in the execution of official duties.
- 1.1.2 improve means of communication in the workplace and the public, in order to give a better services.
- 1.1.3 establish procedures, conditions and limitations according to which the cell phones allowance can be made.
- 1.1.4 establish procedures and conditions under which employees can use their private cell phones and receive cell phone allowance from the Municipality.

2. THE GUIDING PRINCIPLES FOR THE POLICY

- 2.1 User friendliness.
- 2.2 Easy administration.

3. REGULATORY FRAMEWORK

- 3.1 The Constitution of South Africa (Act 108 of 1996 as amended).
- 3.2 Remuneration of Public Office Bearers Act, 1998 (act no. 20 of 1998) as amended.
- 3.3 The South African Local Government Bargaining Council: Main Collective Agreement
- 3.4 The Collective Agreement on Condition of Services for the Limpopo Division.
- 3.5 Local Government: Municipal Systems Act, 2000 (Act no.32 of 2000 as amended).
- 3.6 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003 as amended).

4 POLICY PROVISIONS FOR MUNICIPAL OFFICIALS:

- 4.1. Criteria for eligibility:
 - 4.1.1 The granting of cell phone allowance to designated employees is mainly informed by the functions and duties that they perform.
 - 4.1.2 The Cell Phone Policy is applicable to all employees designated in 4.2.
 - 4.1.3 The administration of Cell Phone Allowance shall be done by respective departments.
 - 4.1.4 An employee occupying a post other than those mentioned in 4.2 below may be considered for allocation provided that the Director of that department shall, based on the functions and duties of that employee

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and the availability of budget, make an application to the Municipal Manager motivating for the allocation of the allowance to the concerned employee.

- 4.1.5 Allocation of cell phone allowance to employees may be reviewed if the duties of that position changes.
- 4.1.6 All positions which are deemed not requiring cell phone allowance as a working tool which are currently benefiting from the scheme will be faced out in a period of three months after the employee has been appropriately informed.
- 4.1.7 All Directors must ensure that adequate budgetary provisions are made for all posts that qualify for an allowance during the budgetary process.

4.2. Category of personnel eligible for cell phone allowance:

- 4.2.1 Municipal Manager.
- 4.2.2 Directors.
- 4.2.3 Managers.
- 4.2.4 PRO.
- 4.2.5 Communication Officer.
- 4.2.6 Artisans.
- 4.2.7 Officials who are required to be on standby.
- 4.2.8 Supervisors: depending on the nature of their operational duties, approval for which shall be granted based on responsibilities.
- 4.2.9 Administrators of Satellite offices.
- 4.2.10 Drivers: Attached to Fleet Management Section.
- 4.2.11 Secretaries.
- 4.2.12 Building inspector.
- 4.2.13 HIV/AIDS Coordinator.
- 4.2.14 Fleet Supervisor.
- 4.2.15 Ward Liaison Officers.
- 4.2.16 OHS Officer.
- 4.2.17 Skills development Officer.
- 4.2.18 Human Resource Officer.
- 4.2.19 Legal Advisor.
- 4.2.20 IT Supervisor.
- 4.2.21 Labour Relations Officer.
- 4.2.22 Land use Officer.
- 4.2.23 LED Officer.
- 4.2.24 Town Planner.
- 4.2.25 Sports Officer.

OTHER OFFICIALS:

Other qualifying officials shall be considered as per the merit of their functional needs and approval shall be granted by the Municipal Manager upon request by the relevant Director of the department. These allowances shall not exceed the amount allocated to Artisan.

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4.3. Monthly cell phone allowances

4.3.1 Cell phone allowance payable shall be an all-inclusive amount covering all cost related to owning a cell phone.

4.3.2 Annual increases shall be based on the MFMA Budget Circular issued annually by National Treasury.

| Capping | Current: All-inclusive Amount (in Rand) | Increase 2015/16 |
|---|--|-------------------------|
| Municipal Manager | R1 631.00 | R1729.00 |
| Directors | R1 248.00 | R1323.00 |
| Managers | R865.00 | R917.00 |
| PRO | R875.00 | R928.00 |
| Communication Officer | R689.00 | R730.00 |
| Supervisors | R641.00 | R679.00 |
| Administrators of Satellite offices | R641.00 | R679.00 |
| Sport officers | R420.00 | R445.00 |
| OHS Officer | R420.00 | R445.00 |
| Skills Development Officer | R420.00 | R445.00 |
| Human resource Officer | R420.00 | R445.00 |
| Land Use Officer | R420.00 | R445.00 |
| Labour Relations Officer | R420.00 | R445.00 |
| Legal Advisor | R420.00 | R445.00 |
| IT Supervisor | R420.00 | R445.00 |
| Town Planner | R420.00 | R445.00 |
| HIV/AIDS Coordinator | | R445.00 |
| Fleet Supervisor | | R445.00 |
| Building Inspector | R420.00 | R445.00 |
| | R420.00 | |
| | R420.00 | |
| Artisans: Attached to Roads & Stormwater Section and Electrotechnical department. | R320.00 | R339.00 |
| Ward Liaison Officers | R420.00 | R445.00 |
| Officials on Standby | R200.00 | R212.00 |
| Drivers: Attached to Fleet Management Section | R200.00 | |
| Secretaries | R150.00 | R159.00 |

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4.4 Terms and conditions.

- 4.4.1 Each designated employee shall ensure that he/she owns a cell phone that is in good working order at all times.
- 4.4.2 The Municipality shall not be responsible for cell phone insurance cover, including the repairs of the cell phone.
- 4.4.3 An employee who receives a monthly cell phone allowance shall make his/her cell phone number available to relevant stakeholders and other Municipal Officials (including listing cell phone number on business cards and organizational telephone directory, where applicable).
- 4.4.4 An employee who receives a monthly cell phone allowance must answer his/her cell phone at all times, where it is not possible to do so, voice mail must be made accessible at all times and effort must be made to return missed calls including response to left messages.

5. POLICY PROVISIONS FOR COUNCILLORS:

- 5.1 Cell phone allowances for Councillors shall be determined in terms of the Remuneration of Public Office Bearers Act, 1998 (act no. 20 of 1998) as amended.
- 5.2 Each Municipal Councillor shall ensure that he/she owns a cell phone that is in good working order at all times.
- 5.3 The Municipality shall on monthly basis include the cell phone allowance in the total remuneration of Councillors earned on monthly basis which shall reflect on the salary advice.
- 5.4 Each Municipal Councillor shall be responsible for the full insurance cover of his/her cell phone.
- 5.5 Each Municipal Councillor receiving monthly cell phone allowance must make their cell phone numbers available to relevant stakeholders and Municipal officials including listing cell phone number on business cards and Municipal telephone directory, where applicable.
- 5.6 Each Municipal Councillor must answer his/her cell phone at all times, where it is not possible to do so, voice mail must be made accessible at all times and effort must be made to return missed calls including response to left messages.

6. CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy review

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

**MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

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Definitions

1. In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and –

“competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

“competitive bid” means a bid in terms of a competitive bidding process;

“final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

“formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this Policy;

“in the service of the state” means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;

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- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“long term contract” means a contract with a duration period exceeding one year;

“list of accredited prospective providers” means the list of accredited prospective providers which the municipality must keep in terms of paragraph 14 of this policy;

“other applicable legislation” means any other legislation applicable to municipal supply chain management, including –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

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

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

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

“written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.

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CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of the municipality

must implement this Policy in a way that –

- (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
- (b) is fair, equitable, transparent, competitive and cost effective;
- (c) complies with –
 - (i) the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
- (d) is consistent with other applicable legislation;
- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) This Policy applies when the municipality –

- (a) procures goods or services;
- (b) disposes goods no longer needed;
- (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including

–

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- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

3. (1) The accounting officer must –
- (a) at least annually review the implementation of this Policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the Council

(2) If the accounting officer submits proposed amendments to the Council that differs from the model policy issued by the National Treasury, the accounting officer must –

- (a) ensure that such proposed amendments comply with the Regulations; and
- (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

(3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;

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- (b) to maximise administrative and operational efficiency in the implementation of this Policy;
- (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
- (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Sections 79 and 106 of the Act apply to the subdelegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).

(3) The accounting officer may not subdelegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;

(4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

Subdelegations

5. (1) The accounting officer may in terms of section 79 or 106 of the Act subdelegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such subdelegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.

(2) The power to make a final award –

(a) above R10 million (VAT included) may only be exercised by the Accounting Officer after considering a report submitted by a council approved external advisor;

(b) between R200 000 to R10 million (VAT included) may be exercised by the Accounting Officer after considering the reports and recommendations submitted the bid evaluation committee, and the bid adjudication committee;

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(c) between R30 000 to R200 000 (VAT included) may be exercised by the Accounting Officer committee after considering the reports and recommendations submitted by the bid evaluation committee and bid adjudication;

(d) less than R30 000 (VAT included) may be exercised by the Head of the Department after considering the reports and recommendations of the bid adjudication committee on condition that where he/she differs from the adjudication committee the accounting officer must make a final allocation.

(3) An official or bid adjudication committee to which the power to make final awards has been subdelegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–

- (a) the amount of the award;
- (b) the name of the person to whom the award was made; and
- (c) the reason why the award was made to that person.

(4) A written report referred to in subparagraph (3) must be submitted –

- (a) to the accounting officer, in the case of an award by –
 - (i) the Chief Financial Officer;
 - (ii) a Director of a Department; or
- (iii) a bid adjudication committee of which the Chief Financial Officer or a Director of a Department is a member; or
- (b) to the Chief Financial Officer or the Director of a Department responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) a bid adjudication committee of which the Chief Financial Officer or a Director of a Department is not a member.

(5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

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(6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been subdelegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

6. (1) The Council reserves its right to maintain oversight over the implementation of this Policy.

(2) For the purposes of such oversight the accounting officer must –

(a) (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and

(ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report Council

(3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Mayor.

(4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management unit

7. (1) A supply chain management unit should be established to implement this Policy.

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(2) The supply chain management unit operates under the direct supervision of the Chief Financial Officer.

Training of supply chain management officials

8. The training of officials involved in implementing this Policy should be in accordance with any Treasury guidelines on supply chain management training.

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for –

- (i) demand management;
- (ii) acquisition management;
- (iii) logistics management;
- (iv) disposal management;
- (v) risk management; and
- (vi) performance management.

Part 1: Demand management

System of demand management

10. (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 delivery dates, and are of the appropriate quality and quantity at a fair cost;

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- (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
- (c) provide for the compilation of the required specifications to ensure that its needs are met.
- (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Part 2: Acquisition management

System of acquisition management

11. (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –

- (a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;
- and
- (e) that any Treasury guidelines on acquisition management are properly taken into account.

(2) This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from ESKOM or another public entity, another municipality or a municipal entity.

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When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -

- (a) the kind of goods or services; and
- (b) the name of the supplier.

Range of procurement processes

12. (1) Goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R2 000 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
 - (c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
 - (d) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts where the contract period is more than 12 months.
- (2) The accounting officer may, in writing-
- (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000 (VAT included).
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining

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transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

(4) The range of procurement processes set out in paragraph 12(1) above can graphically be set out as follows:

| PROCESS | VALUE | ADVERTISEMENT |
|---|---|-------------------------------------|
| Petty Cash Purchases | Up to R2000.00 [VAT included] | No |
| Formal Written Quotations | Over R2000 [VAT included] up to R 30 000 [VAT included] | No |
| Formal Written Price Quotations | Over R 30 001 [VAT included] up to R 200 000 [VAT included] | Municipal notice boards and website |
| Competitive Bidding | Over R 200 001 [VAT included] | |
| or Long Term Contracts exceeding one [1] year | | Newspaper and municipal website |

(5) Authorisation Thresholds are outlined as follows;

| | |
|---------------------|-----------------------|
| Divisional Managers | Up to R10 000 |
| Unit Managers | R10 001 up to R30 000 |

General preconditions for consideration of written quotations or bids

13. A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –

- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number;
- (b) has authorized the municipality to obtain/verify any tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) the tenderer or any of its directors is not listed in the National Treasury's database as a person prohibited from doing business with the public sector;

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(d) has provided proof that (for the purposes of quotations/bids above R30 000) not any municipal rates and taxes or municipal service charges are owed by the tenderer or any of its directors to the municipality or to any other municipality or municipal entity, and are in arrears for more than three months;

(e) has indicated –

(i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;

(ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or

(iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

(f) the tenderer or any of its directors has not failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to the tenderer or any of its directors that the performance was unsatisfactory.

Lists of accredited prospective providers

14. (1) The accounting officer must –

(a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and

(b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

(c) specify the listing criteria for accredited prospective providers which must include at least the requirement to submit proof of compliance with:-

(i) SARS tax registration;

(ii) municipal rates and tax payments; and

(iii) the Occupational Health and Safety Act, 1993 (Act No 85 of 1993); and

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(d) disallow the listing of any prospective 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 include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

Petty cash purchases (Up to R2000)

15. The conditions for the procurement of goods by means of petty cash purchases referred to in paragraph 12 (1) (a) of this Policy, are as follows –

(a) that minor items are purchased for up to R2000, 00 (VAT included) where it is impractical, impossible or not cost-effective to follow the official procurement process and is strictly of a reimburse nature and not for advances.

(b) that a monthly reconciliation report from each manager must be provided to the Chief Financial Officer, including –

(i) the total amount of petty cash purchases for that month; and

(ii) receipts and appropriate documents for each purchase.

Written or verbal quotations

16. The conditions for the procurement of goods or services through written or verbal quotations are as follows:

(a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;

(b) to the extent feasible, providers must be requested to submit such quotations in writing;

(c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;

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- (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

Formal written price quotations (>R2 000 up to R30 000)

17. (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows:

- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Chief Financial Officer or an official designated by the Chief Financial Officer, and
- (d) the accounting officer must record the names of the potential providers and their written quotations.
- (e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;

(2) A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the Chief Financial Officer on any approvals given during that month by that official in terms of that subparagraph.

Formal written price quotations (>R30 000 and up to R200 000)

18. The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:

- (a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;

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- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the municipality;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or Chief Financial Officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a subdelegation;
- (f) 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;
- (g) The received bids, the bid amounts, and the awards made must be published on the municipal website and on notice board, for public viewing.

Competitive bids (Greater than R200 000)

19. (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.

(2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

20. The procedures for the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;

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- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
- (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping
- (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –

- (a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or

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- (bb) since their establishment if established during the past three years;
- (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
- (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
- (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) where surety is required it shall be in the form of cash, a certified cheque, or a bank guarantee from a banking institution registered in terms of the Banks Act, 1965 (Act No. 23 of 1965) or from an insurer registered in terms of the Insurance Act, 1943 (Act No. 27 of 1943). Where bids in Category A cannot raise the required surety of 2, 5%, and it is feasible to deduct the amount from the Preliminary and General (P+G) payment certificate, such concessions may be granted;

Guarantees will be required as follows:

| CATEGORY | PROJECT VALUE | GUARANTEE |
|----------|-------------------------|-----------|
| A | < R500 000 | 2,5% |
| B | R500 001 – R1 000 000 | 5% |
| C | R1 000 001 – R2 000 000 | 7,5% |
| D | >R2 000 000 | 10% |

- (g) indicate the value or extent to which the execution of the contract should or should not be subcontracted; and

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(h) submit a certificate from the Department of Labour indicating compliance with the Occupational Health and Safety Act, 1993 (Act No 85 of 1993).

(i) A non-refundable charge in terms of the Council's approved tariff structure shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality.

(j) Bid documents may allow for bidders to bid for one or more items or for a part of one or more items but the municipality reserves the right to accept part of a bid or a complete bid or quotation even if it is not the lowest, provided the interests of the municipality are best served thereby. Bid documents must be specific as certain contracts, e.g. the construction of a bridge, may require that the whole contract is to be completed by the same contractor.

(k) Where bidders insert prices on price lists supplied by the municipality they shall delete items for which they do not bid or if the price has been included elsewhere in the price list. After bid/quotations have been opened bidders may not supplement their original offer if the original offer was incomplete.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, is as follows:

(a) Any invitation to prospective providers to submit bids must be by means of a public advertisement on the notice board of the municipality, 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); and

(b) the information contained in a public advertisement, must include –

(i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;

(ii) a statement that bids may only be submitted on the bid documentation provided by the municipality ;and

(ii) date, time and venue of any proposed site meetings or briefing sessions.;

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(iii) a statement stipulating that bids submitted late and bidders coming late for site meetings will be disqualified

(2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

(3) Bids submitted must be sealed.

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

(6) The validity period must be set out for all competitive bids and for formal written price quotations.

Procedure for handling, opening and recording of bids

23. (1) The procedures for the handling, opening and recording of bids, are as follows:

(a) Bids–

(i) must be opened only in public;

(ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and

(iii) received after the closing time should not be considered and returned unopened immediately.

(b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;

(c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and

(d) The accounting officer must –

(i) record in a register all bids received in time;

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- (ii) make the register available for public inspection; and
- (iii) publish the entries in the register and the bid results on the website.

(2) Opening of bids and quotations

(a) All bids in excess of R200 000 (VAT included) shall be opened in public at the Supply Chain Management Unit as soon as possible after the expiry of the advertised closing date and time. At such public bid openings the names of the bidders and the prices are read out. All quotations i.e. responses received in terms of procurement mechanisms below the value of R200 000 (VAT included) are excluded from public bid openings. When such quotations are opened, the names of bidders who responded are therefore not read out. This is to prevent collusion between a limited number of bidders or, in the event of one supplier only, the creation of a monopolistic situation.

(b) All bids and quotations i.e. responses received in terms of procurement mechanisms, of a value of R200 000 (VAT included) and above shall be opened in public at the relevant stores offices as soon as possible after the expiry of the advertised closing date and time. At such public bid openings the names of the bidders and the prices are read out.

(c) All bids and quotations, addressed to the municipality, shall be opened by a Senior employee in the presence of the delegated official of the Divisional Manager Supply Chain Management Unit, or a nominee.

(d) Bids and quotations, which fall within the jurisdiction of Unit Managers, shall be opened in the presence of at least two employees, one of which should be a Senior employee and neither of them shall have a personal interest in the bid or quotation or be involved in the adjudication thereof.

(e) Both officials shall sign the bids and declare that they were present at the opening of the bids.

(3) Stamping of bids and reading out of names

(a) As each bid is opened, the name of the bidder and the amount shall be read out. An employee shall date-stamp the bid or quotation and all enclosures related to prices, delivery periods and special conditions. Bids and quotations shall be numbered in the sequence in which they have been opened and the words "and last" shall be endorsed on the last bid or

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quotation. In instances where only one bid has been received the words “and only” shall be endorsed on such bid.

(b) Where prices have not been inserted in all relevant spaces on the form and such items have not been deleted by bidders, such spaces shall be stamped “no price” by the employee who opens the bids or quotations.

Note: It is the policy of the municipality to disclose bid prices. With regard to quotations of a value below R200 000, names of bidders and prices should not be read out.

(c) Details on how bidders responded to the relevant evaluation criteria e.g. SMME contribution, community benefits, job creation, environmental impact, etc. should not be disclosed.

(d) Bids opened in public should be registered in the Bidding Register.

(4) Late Bids

(a) Bids or quotations arriving after the specified closing time shall not be considered and where practicable shall be returned to the bidder unopened with a letter explaining the circumstances.

(b) Bid documents must clearly state the venue where the bidding box is situated for each bid. Any bid delivered to the wrong bid box will not be considered, even if it was delivered on time.

(c) Where it is necessary to open a late bid or quotation to obtain the name and address of the sender, each page of the document shall be stamped “late bid” before the bid is returned to the bidder. The envelope must be stamped and initialled in like manner and must be retained for record purposes.

(5) Amendments before the closing date

(a) The municipality is entitled to amend any bid condition, validity period, specification or plan, or extend the closing date of such a bid or quotation before the closing date, provided that such amendments or extensions are advertised and/or that all bidders to whom bid documents have been issued, are advised in writing per registered post or by fax of such amendments or of the extension clearly reflecting the new closing date and time.

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For this reason, employees issuing bids shall keep a record of the names, addresses and contact numbers of the persons or enterprises to whom bid documents have been issued.

(6) Dealing with bids and quotations if the closing date thereof has been extended

(a) Where the closing date of a bid or quotation is extended, the notice which makes known such extensions shall also mention the bids or quotations already received, will be retained unopened in the bidding box and be duly considered after the expiry of the extended period, unless the bidder requests that such bid or quotation to be returned to the bidder or unless the bidder cancels it by submitting a later dated bid or quotation before the extended closing date.

(7) No amendments after the closing date allowed

(a) The municipality is not entitled to amend any bid condition, validity period, specification or plan after the closing date of the bid and before the acceptance of a bid or quotation has been notified.

Negotiations with preferred bidders

24. (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

- (a) does not allow any preferred bidder a second or unfair opportunity;
- (b) is not to the detriment of any other bidder; and
- (c) does not lead to a higher price than the bid as submitted.

(2) Minutes of such negotiations must be kept for record purposes and as far as practical be made part of the final contract..

(3) Communication with bidders and prospective providers

(a) Where bids and quotations have been submitted to the municipality, a bidder may not communicate with any councillor or official on any matter regarding his bid, quotation or offer other than a notice of withdrawal.

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(b) No municipal personnel may communicate with a bidder or any other party who has an interest in a bid, on the one hand, and any employee of the municipality, on the other hand, during the period between the closing date for the receipt of the bid or quotation (or date of receipt of an offer), and the date of notification of the successful bidder of acceptance of his bid, quotation or offer, except as provided for in paragraph (c) below. Every such case of unauthorised communication shall forthwith be reported to the Supply Chain Management Unit as well as the relevant Chairperson of the Bid Adjudication Committee. A bid or quotation in respect of which unauthorised communication has occurred may be disqualified.

(c) After informing the Accounting Officer the Chairperson of the Bid Adjudication Committee may authorise an employee in writing to communicate with a bidder during the period mentioned in paragraph 24(3)(b) above for the purpose of:-

- (i) explaining and verification of declarations made in the bid response;
- (ii) confirming that a quoted price is correct;
- (iii) confirming technical particulars and the compliance thereof with specifications;
- (iv) determining whether there will be any change in price if only a portion of work is awarded to a bidder;
- (v) requesting an explanation for an unreasonable price increase when it is compared with a previous price and the interim movement of a relevant price index;
- (vi) clarifying delivery times/quantities;
- (vii) extending the validity period of a bid, quotation or offer;
- (viii) amending any bid condition, validity period or specification after the closing date; and
- (ix) clarifying any other commercial aspect.

(d) In all cases where authority has been granted to communicate with bidders in terms of paragraph 25(3)(c) above, it should be clearly stated in the submission to the Bid Adjudication Committee the nature of the communication as well as by whom such authority to communicate has been granted.

(e) All changes and/or clarification of specifications shall be conveyed to all bidders by means or methods as specified in paragraph 23.

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Two-stage bidding process

25. (1) A two-stage bidding process is allowed for –
- (a) large complex projects;
 - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage final technical proposals and priced bids should be invited.

Committee system for competitive bids

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
- (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
- (a) paragraph 27, 28 and 29 of this Policy; and

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(b) any other applicable legislation.

(5) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

27. (1) A bid specification committee must compile the specifications for each procurement of goods or services by the municipality.

(2) Specifications –

(a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

(b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;

(c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;

(d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;

(e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;

(f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and

(g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

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(3) A bid specification committee must be composed of one or more officials of the municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

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

(5) The bid specification committee must include an official representing the Supply Chain Management Section.

Bid evaluation committees

28. (1) A bid evaluation committee must –

(a) evaluate bids in accordance with –

(i) the specifications for a specific procurement; and

(ii) the points system set out in terms of paragraph 27(2)(f).

(b) evaluate each bidder's ability to execute the contract;

(c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;

(d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

(a) officials from departments requiring the goods or services; and

(b) at least one supply chain management practitioner of the municipality.

Bid adjudication committees

29. (1) A bid adjudication committee must –

(a) consider the report and recommendations of the bid evaluation committee; and

(b) either –

(i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or

(ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.

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(2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include –

(a) the Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the Chief Financial Officer and designated by the Chief Financial Officer; and

(b) at least one senior supply chain management practitioner who is an official of the municipality; and

(c) a technical expert in the relevant field who is an official, if such an expert exists.

(3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.

(4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.

(5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –

(i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;

(ii) notify the accounting officer.

(b) The accounting officer may –

(i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and

(ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

(6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.

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(7) The accounting officer must comply with section 114 of the Act within 10 working days

Procurement of banking services

30. (1) A contract for banking services –

- (a) must be procured through competitive bids;
- (b) must be consistent with section 7 or 85 of the Act; and
- (c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

31. (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.

(2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

(3) The accounting officer must notify SITA together with a motivation of the IT needs if –

- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or

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(b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

(4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

Procurement of goods and services under contracts secured by other organs of state

32. (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such contract was not validly procured;
- (c) there are demonstrable discounts or benefits to do so; and
- (d) that other organ of state and the provider have consented to such procurement in writing.

(2) Subparagraphs (1)(c) and (d) do not apply if –

- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.

(2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

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Proudly SA Campaign

34. 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:

- Firstly – suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

Appointment of consultants

35. (1) The accounting officer may procure consulting services provided that any Treasury guidelines and CIDB in respect of consulting services are taken into account when such procurements are made.

(2) Consultancy services must be procured through competitive bids if

- (a) the value of the contract exceeds R200 000 (VAT included); or
- (b) the duration period of the contract exceeds one year.

(3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –

- (a) all consultancy services provided to an organ of state in the last five years; and
- (b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

Deviation from, and ratification of minor breaches of, procurement processes

36. (1) The accounting officer may –

- (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

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- (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.

(3) The Accounting Officer must record the reasons for any deviations in terms of paragraphs 37(1)(a) and (b) of this Policy and report them to the next meeting of the Council and include as a note to the annual financial statements.

Unsolicited bids

37. (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.

(2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –

- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service;
- and

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(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) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

- (a) reasons as to why the bid should not be open to other competitors;
- (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
- (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.

(4) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.

(5) The adjudication committee 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 relevant provincial treasury.

(8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.

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(9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

38. (1) The accounting officer must–

(a) take all reasonable steps to prevent abuse of the supply chain management system;
(b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –

(i) take appropriate steps against such official or other role player; or

(ii) report any alleged criminal conduct to the South African Police Service;

(c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;

(d) reject any bid from a bidder–

(i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or

(ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;

(e) 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) cancel a contract awarded to a person if –

(i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or

(ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and

(g) reject the bid of any bidder if that bidder or any of its directors –

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- (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
- (ii) has been convicted for fraud or corruption during the past five years;
- (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
- (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

39. The accounting officer must establish and implement an effective system of logistics management, which must include -

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;

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- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

40. (1) The Accounting Officer in conjunction with the Head of Department is responsible for the management of Council's assets which includes the disposal and maintenance thereof.

(2) Over and above the conditions contained in this policy the processes described in the municipality's asset management policy must be adhere to by the Accounting Officer and Head of Departments.

(3) The additional criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to section 14 of the Act, are as follows –

(a) Movable assets:

- (i) the asset is uneconomical to repair;
- (ii) the asset is irreparable;
- (iii) the relevant department has no further use for the asset; and
- (iv) no other department requires the asset.

(b) Immovable assets:

- (i) the relevant department has no further use for the asset;
- (ii) no other department requires the asset; and
- (iii) a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community.

(3) Assets may be disposed of by –

- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;

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- (iii) selling the asset; or
- (iv) destroying the asset.

(4) The accounting officer must ensure that –

- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

(5) The disposal of immovable assets is subject to the following principles –

(a) Payment of the purchase price and costs:-

- (i) A 20% deposit shall be payable upon the date of signature of the proposed Deed of Sale, which deposit shall not be refundable should the purchaser decide not to proceed with the registration of the transfer for whatsoever reason, unless adverse soil conditions can be proven.
- (ii) A bank guarantee for the outstanding balance of the purchase price shall be submitted to the Corporate and Legal Services Department within 30 (thirty) days of the date of signing the Deed of Sale, which shall be payable upon registration of transfer of the property.
- (iii) The proceeds of the sale shall be deposited into the Land Trust Fund.

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(iv) All costs (advertising, rezoning, obtaining of a valuation, etc.) pertaining to the transaction shall be borne by the applicant/successful bidder. The applicant/successful bidder will deposit an amount equal to an estimate of the total cost to secure his obligations in this regard and undertake to pay any unforeseen excess costs. The municipality will be liable to refund the balance of the unexpended costs, should the alienation not be finalised within a reasonable time or within the time limit referred to in the bidder document or deed of sale, or should the actual deposit be less than the expenditure occurred, the applicant/successful bidder shall pay the outstanding costs.

(b) Standard Conditions:-

(i) The purchaser shall commence with the development of the property within six (6) months after the date of transfer and shall complete the development within eighteen (18) months thereafter.

(ii) Should the purchaser fail to commence with or complete the development as stipulated in paragraph 41(4)(b)(ii) above, the property shall revert to the municipality and be transferred back to the municipality at the discretion of the Accounting Officer.

(iii) Should the property revert to the municipality, the municipality shall refund to the purchaser an amount equal to the amount paid by the purchaser in respect of the purchase price, less all costs attached to the retransfer of the property into the name of the municipality, which costs shall be for the account of the purchaser. The municipality will only compensate the purchaser for any improvements erected on the property after the property has been resold to another purchaser and the purchase has been paid by said purchaser.

(iv) In order to comply with the requirements of the Deeds Office as set out in Circular No 152 dated 1997.07.03 by the Registrar of Deeds, the above conditions imposed shall not be embodied in the Title Deed to be issued to the purchaser, but instead the following conditions shall be inserted in such deed "The property shall not be transferred without the written approval of the EPHRAIM MOGALE LOCAL MUNICIPALITY".

(v) The use of all immovable assets disposed of in terms of this Policy shall be in accordance with the requirements of the Spatial Development Framework as adopted by the Council by ensuring that the conditions of sale include compliance by purchasers within the principles of the said Framework.

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(vi) All immovable assets sales will be done subject to the necessary environmental legislation being complied with by the purchaser in respect of the intended use of the property.

(vii) Any sale of immovable assets by the municipality which is to be utilised for purposes of housing to be funded and/or subsidised from National and/or Provincial Housing funds shall be done in compliance with the principles, policies and procedures as contained in National and Provincial Housing legislation and any Housing code and/or Land Procurement Procedures prescribed under such legislation.

(viii) The extent to which the intended disposal of the immovable property will promote the principles of integration, densification, regeneration and compact development, shall be considered in deciding whether to dispose of the property.

Risk management

41. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

- (a) non compliance by the supplier to deliver within the agreed timeframes;
- (b) supply of inferior goods or services by the supplier;
- (c) inability of the supplier to provide goods or services as ordered;
- (d) non adherence to the municipality's Policy with regards to utilisation of preferred suppliers; and
- (e) procurement of goods or services at prices or of a quality not in the best interest of the municipality.

(2) Risk management must include –

- (a) the identification of risks on a case-by-case basis;
- (b) the allocation of risks to the party best suited to manage such risks;
- (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
- (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
- (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

42. The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

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

43. (1) The Accounting Officer must ensure that irrespective of the procurement process followed, No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order or through obtaining a valid and original copy of a tax clearance certificate from the bidder.

Prohibition on awards to persons in the service of the state

44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the municipality.

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

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or

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parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

Ethical standards

46. (1) A code of ethical standards as set out in the “National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management” should be enforced for officials and other role players in the supply chain management system of the municipality in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of the Supply Chain Management Policy –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the municipality;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;

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- (g) must be scrupulous in his or her use of property belonging to municipality;
 - (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) -
- (a) must be recorded in a register which the accounting officer must keep for this purpose;
 - (b) by the accounting officer must be made to [the mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.
- (5) A breach of the code of ethics must be dealt with as follows -
- (a) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

Inducements, rewards, gifts and favours to municipalities, officials and other role players

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47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

(a) any inducement or reward to the municipality for or in connection with the award of a contract; or

(b) any reward, gift, favour or hospitality to –

(i) any official; or

(ii) any other role player involved in the implementation of this Policy.

(2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

(a) a provider or prospective provider of goods or services; or

(b) a recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

49. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

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(a) to assist in the resolution of disputes between the municipality and other persons regarding -

(i) any decisions or actions taken in the implementation of the supply chain management system; or

(ii) any matter arising from a contract awarded in the course of the supply chain management system; or

(b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must –

(a) strive to resolve promptly all disputes, objections, complaints or queries received; and

(b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

(a) the dispute, objection, complaint or query is not resolved within 60 days; or

(b) no response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

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Contracts providing for compensation based on turnover

51. If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate –

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

Payment of sub-contractors or joint venture partners

53. The Chief Financial Officer or an official designated by the Chief Financial Officer may consent to the direct payment of sub-contractors or joint venture partners by way of -

- (a) an approved cession; or
- (b) an agreement for direct payment.

Extending or varying a contract

54. (1) Subject to paragraph 54(2), the municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the municipality in terms of this Policy, may resolve to extend or vary a contract if –

- (a) the circumstances as contemplated in paragraph 37(1)(a) prevail; or
- (b) with due regard to administrative efficiency and effectiveness, the Accounting Officer deems it appropriate.

(2) The municipality may not extend or vary a contract –

- (a) more than once;
- (b) for a period exceeding the duration of the original agreement; or
- (c) for an amount exceeding the original bid value plus any adjustments in terms of the consumer price index.

(3) Within one (1) month of the decision referred to in paragraph 54(1), the matters specified in paragraph 54(4) must be –

- (a) published by the Municipality at least in an appropriate newspaper circulating within the boundaries of the municipality; and
- (b) displayed at a prominent place that is designed for that purpose by the Municipality.

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- (4) The matters to be published or displayed are –
- (a) the reasons for dispensing with the prescribed procedure;
 - (b) a summary of the requirements of the goods or services; and
 - (c) the details of the person, body, organisation or corporation supplying the goods or services.
- (5) The functions of the Accounting Officer in terms of paragraph 54 may not be assigned nor delegated.

Commencement

52. This Policy is called the “Supply Chain Management Policy of the Ephraim Mogale Local Municipality” and takes effect on the 1st July 2016



Ephraim Mogale Local Municipality

**2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy
review**

INVESTMENT POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY

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A. INTRODUCTION

1. The Council of the Municipality is the trustee of public funds collected. The Municipality has an obligation to the community to ensure that these resources are managed effectively and efficiently.
2. Therefore, Council shall invest these public funds knowledgeable and sensibly. Council are accountable to the community in regard to investments.
3. This policy aims to gain the best return on investments, without incurring high risks during periods where cash resources are not needed for immediate capital or operational purposes.
4. This policy has been compiled to address investments of funds and comply with the requirements and guidelines as set by the following acts and other documents:
 - 4.1. SALGA – Local Government Financial Best Practise Manual
 - 4.2. The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
 - 4.3. The Municipal Systems Act, Act 32 of 2000
 - 4.4. Section 13 of the Municipal Finance Management Act, Act No. 56 of 2003

B. INVESTMENT ETHICS

- 1 The Chief Financial Officer is responsible for investing the surplus funds of the Municipality. These investments shall be managed in consultation with the Mayor or chairperson of the Portfolio Committee on Finance.
- 2 Investments shall be made in compliance with section 13 of the Municipal Finance Management Act, 2003 and any framework as contemplated in section 13(1) of the said act.
- 3 Any investments shall at all times promote the best interests of the municipality.
- 4 No gifts, commission or other consideration whatsoever shall be accepted from any investment agent or institution, before or after an investment has been made by either the Chief Financial Officer, the Executive Mayor, the chairperson of the Portfolio on Finance Committee, any official or elected councillor

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- 5 On a quarterly basis the Chief Financial Officer shall submit to council a report reflecting information on the council's investment portfolio, including the type of investment, interest rates, period of investment and a summary of the exposures to particular financial institutions. The CFO shall submit once a year a certificate of compliance to the paragraph 4 abovementioned.

C. INVESTMENT PRINCIPLES

1. Limiting exposure

Surplus funds shall be deposited in investment with approved investment institutions such as to limit the risk exposure normally associated with investment decisions with regard to institutions and investment products.

2. Risk and return

The Chief Financial Officer shall always ensure that investments are made at the best possible interest rate, having consideration for the risk in regard to both the financial institution as well as the investment product. Deposits shall be made only with registered deposit-taking institutions as approved by council from time to time.

3. Payment of commission

Each financial institution where the Municipality invest money, shall upon accepting the investment deposit confirm in writing that nobody has been paid direct or indirectly any commission, and has not and will not grant any other benefit whatsoever to anybody as a result of the investment having been made.

4. Call deposits and fixed deposits

4.1 Prior to any investment being made the Chief Financial Officer shall obtain at least three quotations from financial institutions registered as bank in terms of the Banks Act, 1990. These quotations shall then be recorded in a register containing the following information:

- Date of obtaining the quotation
- Name of the institution
- Name of contact person at the institution providing the quotation
- Amount to be invested at the quoted term and rates

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- Relevant terms and rates
- Other relevant information as decided by the Chief Financial Officer

4.2 Telephonic quotations shall be followed by written quotations before the investment deposit is made.

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4.3 Any money paid over to a financial institution shall be directly paid over to the financial institution without any intervention by an agent or third party. The Chief Financial Officer shall ensure that he/she receives a receipt or certificate of such an investment.

5 Restriction on terms of investments

5.1 No investments shall be made for a period longer than twelve months, without prior approval of the Executive Committee.

5.2 If it is deemed expedient to make longer term investments in secure stock issues the Chief Financial Officer shall be guided in his /her decisions by the best return for that type of investment and the most secure instrument available.

D. CONTROL OVER INVESTMENTS

1. The Chief Financial Officer shall maintain an investment register for all investments made and shall contain the following minimum information:

1.1. Institution

1.2. Type of investment

1.3. Investment date

1.4. Maturity date

1.5. Interest rate

1.6. The amount invested

1.7. Whether the investment was prematurely redeemed and the consequences thereof

1.8. The date on which the investment was redeemed.

2. The Chief Financial Officer shall ensure that all interest and capital due are timeously received by the Municipality and shall take appropriate steps when such amounts are not received timeously.

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3. The Chief Financial Officer shall keep all of the investment documents, registers and certificates in a fireproof safe with segregated access control or alternatively placed with the Municipality's bankers or attorneys for safekeeping.

E. 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.

F. INTEREST ON INVESTMENTS

Interest received on investments shall initially be accounted for as ordinary operating revenue.

G. IMPLEMENTATION OF THE POLICY

This policy will be reviewed annually as part of budget related policies.



Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure

Framework (MTREF) Policy review

VIREMENT POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY

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1. Definitions

1. “Accounting officer”

The municipal manager of the municipality is the accounting officer of the municipality in terms of section 60 of the MFMA and within the meaning of section 82 of the Municipal Structures Act, no 117 of 1998.

2. “Approved budget” means an annual budget approved by a municipal council.

3. “Budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality

4. “Chief financial officer” means a person designated in terms of the MFMA who is the head of the budget and Treasury office, designated in terms of section 80 (2) of the MFMA and who performs such budgeting, and other duties as may in terms of section 79 of the MFMA be delegated by the accounting officer to the chief financial officer.

5. “Capital Budget”

This is the estimated amount for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods

6. “Council” means the council of a municipality referred to in section 18 of the Municipal Structures Act.

7. “Financial year” means a 12-month period ending on 30 June.

8. “Line Item” an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures [See annexure “D” for current item structure]

9. “Operating Budget”

The Municipality's financial plan, which outlines proposed expenditures for the coming financial year and estimates the revenues used to finance them.

10. “Ring Fenced” an exclusive combination of line items grouped for specific purposes for instance salaries and wages.

11. “Service delivery and budget implementation plan” means a detailed plan approved by the mayor of a municipality in terms of section 53(1) (c) (ii) for implementing the municipality's delivery of municipal services and its annual budget.

12. “Virement” is the process of transferring an approved budget allocation from one operating line item or capital project to another, with the approval of the relevant Manager. To enable budget managers to amend budgets in the light of experience or to reflect anticipated changes.

13. “Vote” means one of the main segments into which a budget of a municipality is divided for the appropriation of funds for the different departments or functional areas of the municipality; and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

14. “Senior Manager” – An official reporting directly to the Municipal Manager.

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15. Department /Vote –

(i) One of the main segment 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

(ii) That specifies the total amount that is appropriated for the purpose of the department or functional area concerned.

1. The Municipality's Departments/(Votes) and Sub-Departments are:

1. Municipal Manager

1.1 Council Support

1.2 Office of Municipal Manager

2. Planning and Economic Development,

2.1 Urban and Renewal Programme

3. Corporate services

3.1 Human resources

3.2 corporate services

3.3 Administration

4. Financial services

4.1 Stores

4.3 Budget and treasury office

4.6 Fleet management

5. Infrastructure Services

5.1 Electricity Service

5.2 Technical Services

5.3 Housing and Building Control

5.4 Roads and Stormwater

6. Community services

6.1 Community Service Mangement

6.2 Registration Authority

6.3 Parks and cemeteries management

6.4 Licencing and Traffic

6.5 Health General

6.6 Solid Waste

6.7 Sports, Arts and Culture

2. OBJECTIVES

- 2.1 Give directors/(senior managers) who are the heads of departments greater flexibility in managing their appropriations / budgets.
- 2.2 Provides guidance to managers on how and when they may shift funds between items, projects, programmes within their areas of responsibilities.
- 2.3 Comply with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations to implement a council approved virement policy as one of the budget related policy.
- 2.4 Optimizes the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular department, sub-department and functional area by offsetting or transferring savings in another department, sub-department and functional area.
- 2.5 Allow limited flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen/unavoidable expenditure as they arise to accelerate service delivery in a financially responsible manner.

3. DELEGATIONS ON VIREMENTS ON CAPITAL BUDGET

- 3.1 Virements of conditional grant funds, which fall outside what is specified in relevant conditional grant framework, are not permissible.
- 3.2 Virements should not result in adding new projects to the capital budget.
- 3.3 Virements on the capital budget must remain within:
 - 3.3.1 The same main vote ;
 - 3.3.2 The same programme name; and
 - 3.3.3 The same funding source.
- 3.4 Virements on capital projects are only allowed if sufficient proof can be provided that are saving realized on the completion of the project, from which the fund are to be moved.
- 3.5 Virements from or to Capital budget should only be approved by the Council with recommendation from the Accounting Officer.

4. DELEGATION ON VIREMENTS ON OPERATIONAL BUDGET

- 4.1 No budget transfer or virements shall be made to increase a salary vote without the prior consideration and approval of the chief financial officer on the financial implication.
- 4.2 Should a saving realize on a salary vote , such saving may be transferred to another operating vote, but only if the over-expenditure or foreseen over-expenditure of other salary, related votes have fully been addressed and subject to prior financial comments by the chief financial officer.
- 4.3 Virements can take place in the operating budget between line items within the same main vote and sub votes, but the virements to or from the following items are not allowed
 - 4.3.1 Debt impairment;
 - 4.3.2 Interest charges;
 - 4.3.3 Depreciation;
 - 4.3.4 Grants-in-aid;
 - 4.3.5 Revenue foregone;
 - 4.3.6 Insurance;
 - 4.3.7 VAT
 - 4.3.8 Internal charges & recoveries ; and /or
 - 4.3.9 Free basic services.
- 4.4 No virements may be made between revenue and expenditure and vice versa.
- 4.5 No virements are allowed on revenue items.
- 4.6 Virements must originate from savings.

5. PRINCIPLES TO BE ADHERED TO IN THE POLICY

- 5.1 Virement in relation to the revenue side of the budget should not be permitted.
- 5.2 Virement from the capital budget to the operating budget should not be permitted.
- 5.3 Virement should not result in adding “new” projects to the capital budget.
- 5.4 All virements made during the first half of the budget year including section 29 and 32 of the MFMA must form part of the adjustments budget.
- 5.5 Virements within the same vote can be done administratively to a prescribed limit, whereas virements between votes must be approved in an adjustment budget.
- 5.5 All virements made after the adjustments budget e.g. additional allocation made by National or provincial government must be approved by council and form part of the Annual Financial statements at the end of the budget year.

6. Authorisation of Virements

A transfer of funds from one line item to another under this policy may, subject to the provisions of this policy, be authorised as follows:

- 6.1 The transfers of funds to and from votes/sub-votes are limited to 10% of the vote.
- 6.2 All virements will be approved by the Municipal Manager after recommendation by the Chief Financial Officer.
- 6.3 In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.
- 6.4 The transfer of funds in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.
- 6.5 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.
- 6.6 No virements may be affected where it would result in the over-expenditure of a vote.
- 6.7 Virements are only allowed within the same main votes, but may be between different sub- votes subject to Chief Financial Officer's approval.
- 6.8 Virements between main votes are only allowed under extra-ordinary circumstances and are subject to the approval of the chief financial officer.

7 Procedure for Virement

- 7.1 Proposals for transfers may be made by the Head of Department concerned.
- 7.2 Virements must be done on the prescribed budget amendment form, which also include the SDBIP projections to be revised accordingly. The following information must be verified on the form:
 - Transfer of funds are within the limits of delegated authority;
 - reasons/backgrounds for transfer of funds; and
 - approval by relevant managers.
- 7.3 Each proposal for a transfer shall be submitted by the Head of Department concerned to the Chief Financial Officer and if :
 - 7.3.1 the amount of the transfer is considered regular and appropriate, the Chief Financial Officer shall:

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7.3.1.1 approve the proposal, or

7.3.1.2 reject the proposal; or

7.3.1.3 refer the proposal to the Municipal Manager for approval or rejection;

7.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

8. General

8.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.

8.2 This policy will be effective on the date of adoption by Council.

EPHRAIM MOGALE LOCAL MUNICIPALITY



POLICY ON ACTING ALLOWANCE FOR MUNICIPAL OFFICIALS

DOCUMENT APPROVAL

| Responsible Person: | Name | Signature | Date |
|----------------------------|-------------|------------------|-------------|
| | | | |

Date approved: _____



POLICY ON ACTING ALLOWANCE FOR MUNICIPAL OFFICIALS

PREAMBLE:

- The Council accepts as a fact that from time to time an employee may not be available to discharge his/her duties and responsibilities in terms of the contract of employment of conditions of service.
- The Council recognizes that from time to time there would be a need to appoint another employee to discharge the duties of another employee who is not at work for a certain period of time.

1. OBJECTIVES OF THE POLICY:

- 1.1 To ensure that the efficiency of the Municipality is maintained and that the on-the-job experience is directed towards professional development.
- 1.2 To provide guidelines for the handling of acting in various positions.
- 1.3 To provide guidelines within which acting has to occur.

2. REGULATORY FRAMEWORK:

- 2.1 The Constitution of South Africa (Act 108 of 1996 as amended).
- 2.2 The Basic Condition of Employment Act, 1997 (Act no.75 of 1997 as amended).
- 2.3 The South African Local Government Bargaining Council: Main Collective Agreement
- 2.4 The Collective Agreement on Condition of Services for the Limpopo Division.
- 2.5 Local Government: Municipal Systems Act, 2000 (Act no.32 of 2000 as amended).
- 2.6 Local Government: Municipal Systems Amendment Act, 2011 (Act no. 7 of 2011).

3. POLICY GUIDELINES:

- 3.1 The Municipal Manager or his/her authorized officials will appoint an employee to act in a higher position provided that:
 - 3.1.1 The post in which he/she is acting is vacant, funded and evaluated.
 - 3.1.2 The incumbent is on vacation/sick or other form of leave for a period of more than TEN (10) consecutive working days.

- 3.1.3 The period of appointment is longer than TEN (10) consecutive working days.

4. CONDITIONS OF APPOINTMENTS IN AN ACTING CAPACITY

- 4.1 When an employee is required by written approval of the Municipal Manager to act in a more Senior post for a period not less than TEN (10) consecutive working days, an acting allowance shall be paid to such an employee in addition to his/her salary in respect of the period in which he/she act.
- 4.2 The appointment of a person in an acting position shall be done in writing by the Municipal Manager and be accepted in writing by the prospective employee.
- 4.3 An employee appointed and who accepted to act in a position shall be paid an acting allowance calculated at least on the starting or minimum notch of the position in which the employee is acting.
- 4.4 Where the starting minimum notch of the position in which the employee is acting is equal or less, then the employee shall receive an Acting allowance on the next higher notch of the position in which the employee is acting.
- 4.5 Any interruption of less than THREE (03) working days in total during a period of acting occasioned by:
- 4.5.1 illness supported by a Medical Certificate.
 - 4.5.2 Family bereavement.
 - 4.5.3 Attendance at court as a witness (if subpoenaed).
- Shall be regarded as continuous period of acting provided that no acting allowance shall be paid for the period of absence.
- 4.6 Where an employee act in a Section 56 and/or 57 position, the acting allowance shall be calculated and paid based on the current negotiated package of the incumbent. Provided that such allowances shall not be affected by the annual salary increment agreement as determined by the South African Local Government Bargaining Council (SALGBC) on an annual basis.
- 4.7 An employee who acts in a higher post , such employee shall accept full duties and responsibilities of the higher position in addition to the full duties and responsibilities of his/her normal position.
- 4.8 Only employees in the next line of supervision may act in higher positions, except where none of same “next-in-line” of supervision is available, then the acting capacity may be delegated to a following incumbent within the line of supervision.
- 4.9 Acting in a higher position does not leave the employee’s normally appointed position vacant, and therefore no “*ladder effect*” may happen where acting allowance is paid to a second and/or third employee.
- 4.10 The employees shall only be appointed in an acting capacity within the scope of their competencies.
- 4.11 An employee who has been appointed to act in a higher position shall do so for a maximum uninterrupted period of 4 Months, after which approval must be obtained from Council if the acting period is longer than 4 months for re-appointment of the acting employee in the said post in an acting capacity.
- 4.12 The appointment of employee in an Acting capacity does not create a right or legitimate expectation to be appointed when the vacancy is advertised.

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- 4.13 In order for a person to be appointed in an acting position the Director of the Department if there is a need shall advise the Municipal Manager who should be appointed.
- 4.14 Appointment on acting capacity shall not be made on a month to month basis.
- 4.15 An employee has a right to decline to act or refuse to continue to act upon submission of reasons.

5. APPOINTMENT ON ACTING CAPACITY FOR SECTION 56 & 57 OF LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000 (Act no. 32 OF 2000) EMPLOYEES.

5.1 ACTING AS MUNICIPAL MANAGER:

- 5.1.1 The Municipal Council shall appoint the Acting Municipal Manager in terms of the Local Government: Municipal Systems Amendment Act, 2011 (Act no. 07 of 2011).
- 5.1.2 The acting appointment letter shall be in writing and signed by the Mayor and accordingly accepted in writing.
- 5.1.3 Any interruption of less than THREE (03) working days in total during a period of acting occasioned by:
 - 5.1.3.1 illness supported by a Medical Certificate.
 - 5.1.3.2 Family bereavement.
 - 5.1.3.3 Attendance at court as a witness (if subpoenaed).Shall be regarded as continuous period of acting provided that no acting allowance shall be paid for the period of absence.
- 5.1.4 Where an employee act in a Municipal Manager position, the acting allowance shall be calculated and paid based on the current negotiated package of the incumbent Municipal Manager, the current remuneration package of the official acting and 60% of the current basic salary of the Municipal Manager, provided that the total acting remuneration package shall not be higher than the total remuneration package of the Municipal Manager

NB: Total remuneration package = total cost to employer remuneration package.

5.2 APPOINTMENT OF MANAGERS REPORTING DIRECTLY TO THE MUNICIPAL MANAGER IN AN ACTING CAPACITY:

- 5.2.1 The Municipal Council shall in consultation with the Municipal Manager appoint Managers reporting directly to the Municipal Manager in an capacity in terms of the Local Government: Municipal Systems Amendment Act, 2011 (Act no. 7 of 2011).
- 5.2.2 The acting appointment letter shall be in writing and signed by the Municipal Manager and accordingly accepted in writing.
- 5.2.3 Any interruption of less than THREE (03) working days in total during a period of acting occasioned by:
 - 5.2.3.1 illness supported by a Medical Certificate.
 - 5.2.3.2 Family bereavement.
 - 5.2.3.3 Attendance at court as a witness (if subpoenaed).

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Shall be regarded as continuous period of acting provided that no acting allowance shall be paid for the period of absence.

- 5.2.4 Where an employee act in a position of a Manager reporting directly to the Municipal Manager, the acting allowance shall be calculated and paid based on the current negotiated package of the incumbent Manager, the current remuneration package of the official acting and 60% of the current basic salary of the Manager reporting directly to the Municipal Manager, provided that the total acting remuneration package shall not be higher than the total remuneration package of the Municipal Manager.

6. ACTING ON HORIZONTAL POSTS:

The Municipal Manager shall in an endeavor to ensure that efficiency of the Municipality is maintained approve acting in a horizontal position and the acting allowance payable be TWENTY FIVE (25%) of the starting or minimum notch of the position in which the employee shall be acting.

7. HONORARIA / EX GRATIA:

- 7.1 The Council also acknowledges that in a rare occasions it may happen that due to circumstances beyond the control of anybody, a junior member of staff be required to assist the Municipal Manager in running a Department in the absence of Senior Manager for whatever reason.
For purposes of this policy a junior member of staff shall be deemed to be a member of staff on a Task 11 and lower.
- 7.2 In cases referred to above an honorarium/ex gratia of ONE HUNDRED RAND (R100.00) per working day shall be payable to the staff member concerned, provided that such staff member shall be appointment in writing and accordingly accept in writing.
- 7.3 The Council also acknowledges that in rare occasions it may happen that due to circumstances beyond the control of anybody, a member of staff is required to assist in a Department in the absence of a Supervisor for whatever reason.
- 7.4 In cases referred to above an honorarium/ex gratia of SIXTY RAND (R60.00) per working day shall be payable to the staff member concerned, provided that such staff member shall be appointment in writing and accordingly accept in writing.
- 7.5 The implementation of honorarium / ex gratia shall not exceed TEN (10) consecutive working days.

8. REVISION OF THE POLICY:

This Policy will be reviewed when it deemed necessary but at least once a year.

9. CERTIFICATE OF ENDORSEMENT:

Agreement between the Municipality and Employee Organisation/Labour Forum. We, the signatories to this agreement, duly authorized thereto, hereby commit ourselves to the content of this Policy.

The Agreement to this Policy shall come into effect on the date of endorsement by all parties and shall cease only in the event where such changes/variations has been reduced to writing and been signed by all parties concerned. Unless in the event where any changes in any applicable Act, Legislation or Bargaining Council Main Agreement has jurisdiction to supercede.



Ephraim Mogale Local Municipality

TRANSPORT ALLOWANCE POLICY

DOCUMENT APPROVAL

| Responsible Person: | Name | Signature | Date |
|------------------------|------|-----------|------|
| | | | |

Date approved: _____

EPHRAIM MOGALE LOCAL MUNICIPALITY

1. PURPOSE:

- 1.1 To provide Ephraim Mogale Local Municipality with uniform procedures, conditions and limitations for transport allowances in a consistent, fair and equitable manner.
- 1.2 To formulate the basis for compensation and allowance benefits in respect of designated employees who utilise private vehicle in the execution of official duties, irrespective of the availability of official transport.

2. DEFINITIONS

For the purpose of this policy, the following words shall have the meanings as indicated:

“An allowance bearing position” means a position on the permanent service register to which a fixed or running monthly transport allowance is attached,

“Council” means the Council of Ephraim Mogale Local Municipality,

“Ephraim Mogale Local Municipal area” means the area determined by the National Demarcation Board for the municipal area of jurisdiction as it exist after the 2000 Local Government Elections,

“Engine capacity” for purposes of this policy will be calculated at maximum of 3000cc,

“Fixed cost” means the tariff in cents per kilometre as determined on the salary notch plus thirteenth (13th) cheque of the official concerned,

“HR division” means Human Resources section within the Corporate Services Department,

“None qualifying period” means any period subsequent to the 60 days period for reporting none availability of the vehicle used for payment of transport allowance.

“SARS rates” means South African Revenue Services fixed cost table.

“Official distances” means the distance in kilometres travelled for official duties by an employee in Council’s employment; excluding distances between place of work and place of residence,

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“official visit” means the attendance of meetings, seminars, congresses, workshops, training courses or any other event that a delegate attends in his/her official capacity for which prior approval has been obtained and includes the attendance of meetings of institutes by officials that have been selected to serve on the management structures of such institutes,

“Running cost” means the tariff in cents per kilometre which is composed of the following:

- * Cost of fuel as well as maintenance costs as in relation to the value of the vehicle, which must be equal to the salary notch plus thirteenth (13th) cheque or whichever is lesser when comparing the value of the vehicle and the salary notch plus thirteenth (13th) cheque.

“Salary notch” is regarded as the salary notch applicable in a particular financial year, *“Vehicle”* A privately owned vehicle, (excluding a motorcycle and a motor scooter), which is utilized and suitable for the execution of official duties of the employee.

3. LEGISLATIVE FRAMEWORK

The implementation of this policy shall always be guided by the provisions of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) and other relevant pieces of legislation to ensure adequate accountability and responsibility.

4. CONDITIONS FOR PARTICIPATION

- 4.1 Transport allowance shall be primarily determined by the utilization of private transport for official purposes, regardless of whether the utilization of such transport is temporary, casual or of a permanent nature.
- 4.2 Determination of transport allowance for new applications for transport allowance shall be based on the keeping of log book over a period of 3 (three) months reflecting not less than 650km per month.
- 4.3 Transport allowance shall be determined and limited to the cost advantages and economic considerations by the Council which shall become responsible for determining the extent private transport shall be utilized for official

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purposes in certain positions on the approved staff establishment other than Task Grade 15.

4.4 Positions in Task Grade 15 in terms of the approved job evaluation by the National Moderation Commission are deemed allowance bearing positions on the approved permanent staff establishment of Ephraim Mogale Local Municipality to which a fixed or running monthly transport allowance shall be attached. Provided that:

4.4.1 there is adequate budget available for the cost in a particular department for the specified position;

4.4.2 such positions are catered for on the Organogram.

4.4.3 the incumbent has a valid driver's license and owns a vehicle;

4.4.4 a privately owned vehicle must be available on a daily basis;

4.4.5 no official vehicle of Ephraim Mogale Local Municipality shall be utilized by the incumbent either as a driver or a passenger.

4.5 Employees receiving a transport allowance for operational reasons, excluding those positions referred to in paragraph 4.4 above, must comply with the following criteria:

4.5.1 the use of a private vehicle is required for the execution of functions and duties;

4.5.2 the incumbent has a valid driver's license and owns a vehicle;

4.5.3 the incumbent in receipt of permanent transport allowances shall at all times provide motor vehicles of suitable types and conditions as predefined and approved by the Directors of department concerned for the proper discharge of their duties;

4.5.4 the incumbent are to provide proof of availability of suitable vehicles on the request of management and/or Human Resources.

4.5.4 no official vehicle of Ephraim Mogale Local Municipality shall be utilized by the participant either as a driver or a passenger.

4.5.5 the total official kilometre distance travelled, must not be less than the allocated kilometres per month per position as indicated in paragraph 5.2.1.

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- 4.5.6 the incumbent have a responsibility to inform the Human Resources Manager immediately if they do not have a vehicle available; for approval of using a different vehicle than the one approved.
- 4.5.7 in the event the incumbent fails to report within a period of 60 days payment of transport allowances shall be stopped until such time the vehicle is available.
- 4.5.8 In the event that it can be established that the employee has received the transport allowance without having the requisite vehicle available, the overpayment of the allowance for the identified non-qualifying period must be recovered from the employee's salary.
- 4.6 Incumbent of positions performing any functions which require one or more of the following shall be automatically excluded from participating in the policy, except if the Council approved that such positions participate in the policy.
 - 4.6.1 the functions and duties require specialized vehicles and/or equipment;
 - 4.6.2 the functions and duties necessitate the transportation of co-worker(s) and/or equipment,
 - 4.6.3 the primary functions and duties of the position are to transport goods and/or people.

5. CLASSIFICATION OF TRANSPORT ALLOWANCES

5.1 POSITIONS RECEIVING A TRANSPORT ALLOWANCE AS A BENEFIT

- 5.1.1 A fixed kilometre allocation for Task Grade 15 shall be 850 per month, calculated based on the fixed and running costs of the SARS fixed travel allowance table. The average distance to be travelled per annum would be between 0 – 10 000 km. The fixed cost shall be based on 10 000 km per annum.
- 5.1.2 The kilometre allocations to these positions are for trips within the area of jurisdiction of Ephraim Mogale Local Municipality.

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5.2 POSITIONS RECEIVING TRANSPORT ALLOWANCES FOR OPERATIONAL REASONS

5.2.1 The following positions may be considered for transport allowance, subject to approval by Council:

- (a) Public Relation Officer
- (b) Satellite Administrators
- (c) Ward Liaison Officer
- (d) IT Supervisor
- (e) Sport Officer
- (f) HIV/AIDS Program Coordinator:
- (g) Communication Officer
- (h) OHS Officer
- (i) Labour Relations Officer
- (j) Legal Advisor
- (k) Skills Development Officer
- (l) Human Resource Officer
- (o) Building Inspector
- (p) Town Planner
- (q) Land Use Officer

5.2.2. All posts identified qualify for 750 km per month.

5.2.3. The kilometers allocated to these positions are for trips within the area of jurisdiction of Ephraim Mogale Local Municipality.

6. DOCUMENTS REQUIRED FOR APPROVAL

6.1 Transport allowance shall be limited to vehicle personally owned by the designated employees who hold an obligation to meet the following requirements and submit such to the Human Resource division:

6.1.1 Proof of purchase price excluding finance cost.

6.1.2 Submit certificate of vehicle registration (obtainable from Registration Authority).

6.1.3 Submit Form 161 (obtainable from Registration Authority).

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- 6.2 A position other than those mentioned in 5.2.1 may be considered for transport allowance provided:
- 6.2.1 That the Director of that department shall base on the functions and duties of the position and the available budget make an application to the Municipal Manager who shall make a decision based on the availability of funds.
- 6.2.2 The Director shall provide as part of a motivation the log sheet for a period of three (3) months reflecting at least 650 km per month during where the incumbent have been utilizing private vehicle in the execution of Council duties, and evidence that municipal fleet was not made available for the identified period.
- 6.3 The transport allowance shall be deemed personal to holder to an incumbent who already receives an allowance not in line with the listed categories.

7. CALCULATION OF TRANSPORT ALLOWANCES

- 7.1 CALCULATION OF THE TOTAL TRANSPORT ALLOWANCE FOR ALL TRANSPORT ALLOWANCE BEARING POSITIONS
- 7.1.1 The total fixed travel allowance shall be calculated based on the following:
- (i) The annual salary notch plus the thirteenth (13th) cheque, equals the purchase price of the vehicle (inclusive of VAT); and
 - (ii) The average distance to be travelled per annum would be between 0 – 10 000 km. The fixed cost shall be based on 10 000 km per annum.
 - (iii) The fixed cost, fuel cost, and the maintenance cost are calculated as per South African Revenue Services (SARS) fixed cost table (rates per kilometer).

8. RE-DETERMINATION OF OFFICIAL KILOMETERS

- 8.1 Should Ephraim Mogale Local Municipality require a re-determination of the official kilometres allocated to a transport allowance bearing position(s) by

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means of a Council resolution, the incumbent shall be expected to commence to keep logs over a period of 3 (three) months.

9. SUSPENSION OF TRANSPORT ALLOWANCES

11.1 The transport allowance may be suspended based on the following scenario:

- (a) incumbent occupying a transport allowance bearing position, who requests to be permanently transferred to a non-transport allowance bearing position, shall forfeit the transport allowance from the date of transfer.
- (b) the Council may resolve to rescind a position's transport allowance, in the following cases:
 - (i) where an incumbent of a transport allowance bearing position is transferred to a non-transport allowance bearing position.

10. AMENDMENT AND OR ABOLITION OF THIS POLICY

This policy shall be amended or repealed by the Council as it may deem necessary.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation or Bargaining Council Main Agreement has jurisdiction to supersede.



Ephraim Mogale Local Municipality

2016/17 Medium Term Revenue and Expenditure Framework (MTREF) Policy review

BUDGET POLICY

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1. Objective

The objective of this policy is to set out the budgeting principles and procedures which the municipality will follow in preparing each annual budget, as well as the responsibilities of various officials and office bearers in compiling such a budget.

2 Compliance with Legal Provisions

In the process of preparing the budget, the Municipality, its Mayor, political office bearers, Municipal Manager, Chief Financial Officer and other officials shall comply with all relevant legal requirements, including in particular:

2.1. the provisions of Chapter 4 (Sections 15 to 33) of the Local Government: Municipal Finance Management Act, 2003 ("the MFMA"), as well as Sections 42, 43, 52, 53, 54,55, 68, 69, 70, 71, 72, 75, 80, 81 and 83 thereof; and

2.1. the Municipal Budget and Reporting Regulations ("the Regulations") published in terms of Section 168 of the MFMA under General Notice 393 of 2009; and

2.2. all relevant budget-related circulars and notices issued by the National Treasury.

3 Budget Steering Committee

3.1 The Mayor of the Municipality shall establish a Budget Steering Committee as required by Regulation 4 of the Regulations.

3.2 The function of the Budget Steering Committee is to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 and elsewhere in the MFMA.

4 Role of Mayor

4.1. As provided in Section 21(1) of the MFMA, the Mayor is responsible for :

4.1.1 Co-ordinating the process for preparing the annual budget and for reviewing the Integrated Development Plan (“IDP”) and budget related-policies;

4.1.2 Tabling in the council a time schedule outlining key deadlines, as contemplated in section 7 of this policy.

4.2. In addition, as provided in Section 21(2) of the MFMA, for purposes of preparing the budget, the Mayor is required to:

4.2.1. Take into account the Municipality’s IDP;

4.2.2. Take all reasonable steps to ensure that the Municipality revises the IDP;

4.2.3. Take into account the national budget, the provincial budget, the national government’s fiscal and macro-economic policy, the Annual Division of Revenue Act and any agreements reached in the budget forum;

4.2.4. Consult the relevant district municipality, if applicable, and local municipalities within the district, the provincial treasury, and when

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requested, the national treasury, and any national organs of state as may be prescribed;

4.2.5. Provide on request information to the National Treasury and other organs of state and other municipalities affected by the budget.

4.3. Pursuant to Section 52 of the MFMA the mayor must:

4.3.1 provide general political guidance over the fiscal and financial affairs of the municipality;

4.3.2 in providing such general political guidance. may monitor and. to the extent provided in the MFMA, oversee the exercise of responsibilities assigned in terms of the MFMA to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities;

4.3.3 must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget;

4.3.4 must within 30 days of the end of each quarter. submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality; and

4.3.5 must exercise the other powers and perform the other duties assigned to the mayor in terms of the MFMA or delegated by the council to the mayor.

4.4 As Required by Section 53 of the MFMA, the mayor must:

4.4.1 provide general political guidance over the budget process and the priorities that must guide the preparation of a budget;

4.4.2 co-ordinate the annual revision of the IDP in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget, and determine how the integrated development plan is to be taken into account or revised for the purposes of the budget; and

4.4.3 take all reasonable steps to ensure that

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- 4.4.3.1 the municipality approves its annual budget before the start of the budget year;
- 4.4.3.2 the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget; and
- 4.4.3.3 the annual performance agreements as required in terms of section 57(1)(6) of the Municipal Systems Act, for the municipal manager and all senior managers comply with the MFMA and in particular, the provisions of Section 53(1)(c)(iii) of the MFMA;
- 4.4.4 promptly report to the municipal council and the MEC for finance in the province any delay in the tabling of an annual budget, the approval of the service delivery and budget implementation plan or the signing of the annual performance agreements referred to above; and
- 4.4.5 ensure-
 - 4.4.5.1 that the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the service delivery and budget implementation plan, are made public no later than 14 days after the approval of the service delivery and budget implementation plan: and
 - 4.4.5.2 that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed are made public no later than 14 days after the approval of the municipality's service delivery and budget implementation plan. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.
- 4.5 As contemplated in Section 68 of the Act, the Chief Financial Officer and all other managers who are directly accountable to the Municipal Manager shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as the

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consultative process and the furnishing of information as contemplated above.

5. Budget –Related Policies

- 5.1. In so far as it is practical to do so, and subject, where relevant, to the availability of suitable precedent documents, The Municipal Manager must ensure that budget-related policies of the Municipality, or any necessary amendments to such policies, are prepared for tabling in the council by the applicable deadline specified in terms of Section 21(1) (b) of the MFMA.
- 5.2. The Municipality may consult with professional bodies and advisors for purposes of preparing such policies

6. CFO Responsible for Preparation of Budget

- 6.1. Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft budget of the municipality.
- 6.2. The Municipal Manager shall delegate to the Chief Financial Officer all such powers as may be necessary for the Chief Financial Officer to perform the abovementioned function.
- 6.3. The Municipal Manager shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer for the purpose of preparing the budget, and to that end, each head of department shall prepare and submit to the Chief Financial officer by 31 January a draft budget for his or her department; provided that nothing contained in this section shall derogate from the responsibility of the Chief Financial Officer of preparing the municipal budget as provided for in subsection 6.1.

- 6.4. The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

7. Budget Time Schedule

- 7.1. The Chief Financial Officer shall draft the budget time schedule as required by Section 21 (1) (b) for the ensuing financial year for the Council's approval.
- 7.2. Such time schedule shall indicate the target dates for the draft revision of the IDP and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.
- 7.3. Such time schedule shall provide for the deadlines set out in Appendix A, unless the Mayor, after consultation with the Chief Financial Officer, determines otherwise: provided that the requirements of the MFMA shall at all times be adhered to.
- 7.4. The Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.

8. Budget to be Balanced

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The annual or adjustments budget shall be approved by the council only if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed expenses.

9. Funding of Expenditure

9.1. In accordance with the provisions of Section 18(1) of the MFMA, an annual budget may be funded only from:

9.1.1. Realistically anticipated revenues to be collected;

9.1.2. Cash-backed accumulated funds from previous years' surpluses not committed for other purposes;

9.1.3. Borrowed funds, but only for capital projects.

9.2. Realistically anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds, as provided by Regulation 10 (2) of the Regulations.

9.3. All expenses, excluding depreciation expenses, shall be cash-funded.

10. Zero -Based Budgeting

Except in so far as capital projects represent a contractual commitment of the Municipality extending over more than one financial year, the annual budget shall be prepared from a zero base.

11. Contents of Budget

11.1. The budget must comply with the provisions of Section 17(1) of the MFMA, and in particular:

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11.1.1. The budget must be in the format prescribed by the regulations

11.1.2. The budget must reflect the realistically expected revenues by major source for the budget year concerned;

11.1.3. The expenses reflected in the budget must be divided into the votes of the various departments of the municipality;

11.1.4. The budget must also contain:

11.1.4.1. the foregoing information for the two years immediately succeeding the financial year to which the budget relates;

11.1.4.2. the actual revenues and expenses for the previous financial year , and

11.1.4.3. the estimated revenues and expenses for the current year.

11.2. The budget must be accompanied by all of the documents referred to in Section 17(3) of the MFMA.

11.3. For the purposes of Section 17(3)(k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

12. Capital and Operating Components

12.1. The annual budget and adjustments budget shall, as required by Section 17(2) of the MFMA consist of:

12.1.1. the capital component, and

12.1.2. the operating component.

12.2. The operating component shall duly reflect the impact of the capital component on:

12.2.1. depreciation charges;

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- 12.2.2. repairs and maintenance expenses;
 - 12.2.3. interest payable on external borrowings; and
 - 12.2.4. other operating expenses.
- 12.3. Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to in 12.2.1 to 12.2.4.
- 12.4. Each department head shall, prior to providing for any expenditure in respect of any capital item in the budget of his or her department's budget, and in any event no later than 31 January prepare and submit to the Chief Financial Officer a business plan relating to such capital item, which business plan shall contain the following information regarding such item:
- 12.4.1. A full description;
 - 12.4.2. Its purpose;
 - 12.4.3. The expected beneficiaries ;
 - 12.4.4. Alternative means of providing the same benefits;
 - 12.4.5. An acquisition, construction and implementation plan (as applicable);
 - 12.4.6. The expected useful life;
 - 12.4.7. The principal cost;
 - 12.4.8. The sources of funding;
 - 12.4.9. A schedule of financing costs;
 - 12.4.10. A maintenance plan;
 - 12.4.11. A schedule of maintenance costs;
 - 12.4.12. A depreciation schedule;

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12.4.13. Insurance costs;

13. Financing of Capital Budget

13.1. The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

13.2. The provisions of Regulation 11 of the Regulations must be complied with in relation to the funding of capital expenditure.

14. Determination of Votes

14.1. In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply with the budget format prescribed by the Regulations.

14.2. Each department head shall be responsible for determining the line items to be shown under each vote, subject to the approval of the Chief Financial Officer.

15. Provisions for Leave and employee benefits, Bad Debts and Obsolescence

15.1. The municipality shall establish and maintain a provision for accrued leave entitlements of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget, as well as for staff benefits, including post-retirement benefits.

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15.2. The municipality shall establish and maintain a provision for bad debts in respect of its approved rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

15.3. The municipality shall establish and maintain a provision for the obsolescence and deterioration of stock, and shall budget appropriately for contributions to such provision in each annual and adjustments budget.

16. Provision for Maintenance

16.1. The Municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At most, a provision of 15% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

16.2. Notwithstanding anything contained to the contrary in any other policy of the Municipality, no funds budgeted for maintenance may be used or transferred for any other purpose without the express consent of the CFO.

17. Salaries and Allowances

The budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 35% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall not be included in this limit.

18. Depreciation and Finance Charges

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- 18.1. Depreciation shall be based on the expected size of depreciable assets and expected capital expenditure, in line with the depreciation policy on the municipality.
- 18.2. Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.
- 18.3. The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, and the apportionment of interest payable to each vote.

19. Indigent Relief

The cost of indigent relief must be separately reflected in the appropriate votes.

20. Allocations from Other Organs of State

- 20.1. Allocations from other organs of state shall be properly reflected in the annual and adjustments budget, and the estimated expenses against such allocations (other than the equitable share) must be appropriately recorded.
- 20.2. The provisions of Regulation 10(2) of the Regulations must be complied with in regard to anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors

21. Rates as a Source of Income

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In preparing its revenue budget, the Municipality shall strive to maintain realistic revenues from property rates in terms of its property rates policy.

22. Impact of Rates and Tariffs

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

23. Determination of Growth Factors

The Chief Financial Officer shall, with the approval of the mayor and the municipal manager, and considering the municipality's current financial performance, determine the recommended aggregate growth factor(s) using the National Treasury Guidelines.

24. Tabling of Annual Budget

The Annual budget must, as required by Section 16 of the MFMA, be tabled at a council meeting at least 90 days before the start of a budget year, and when tabled must, as required by Regulation 14(1) of the Regulations:

- 24.1. be in the format in which it will eventually be approved by council; and
- 24.2. be credible and realistic such that it is capable of being approved and implemented as tabled.

25. Publication of Annual Budget

- 25.1. In accordance with Section 22 of the MFMA, the Municipal Manager shall ensure that immediately after the annual budget is tabled in the Council:

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- 25.1.1. The budget is made public in accordance with the provisions of the Local Government: Municipal Systems Act;
 - 25.1.2. The local community is invited to make submissions in regard to the budget;
 - 25.1.3. The budget is submitted to the National Treasury and Provincial Treasury in printed and electronic formats;
 - 25.1.4. The budget is submitted to any prescribed organs of state and to other municipalities affected by it.
- 25.2. In addition, the Municipal Manager must comply with the provisions of Regulation 15 of the Regulations.

26. Consultations on Tabled Budgets

- 26.1. The Municipality shall, after the annual budget is tabled, consider the views of the local community, the National and Provincial Treasuries, organs of state and municipalities which made submissions on the budget, as required by Section 23 of the MFMA, and shall comply with all other requirements of that section.
- 26.2. The Mayor must for purposes of the abovementioned Section 23 submit to the council the report and comments referred to in Regulation 16 of the Regulations.

27. Approval of Annual Budget

- 27.1. The Council shall approve the budget in accordance the provisions of Section 24 of the MFMA.
- 27.2. Before approving the budget, the council shall consider the full implications of the budget, as required by Regulation 17 of the Regulations.

28. Adjustment Budgets

If an adjustment budget is required as contemplated in Section 69(2) of the MFMA, such adjustment budgets and the process of adopting it shall comply with the provisions of Regulations 21 to 27 of the Regulations.

29. SDBIP and Performance Agreements

As required by section 69(3) of the MFMA, the accounting officer must by no later than 14 days after the approval of the annual budget submit to the mayor:

- 29.1. A draft Service Delivery and Budget Implementation Plan for the year in question;
- 29.2. Drafts of the annual performance agreements as required by Section 57 of the Municipal Systems Act for the managers referred to in that section.

30. Budget Statements, Quarterly Reports and Mid-year budget and performance assessments

- 30.1. The Chief Financial Officer shall compile the monthly budget statements as required by Section 71 of the MFMA.
- 30.2. Such Statements shall:
 - 30.2.1. be in the format prescribed by Regulation 28 of the Regulations;
 - 30.2.2. if they are submitted by the mayor to the council in terms of Section 71(1) of the MFMA, be accompanied by a mayor's report in the format prescribed in Regulation 29 of the Regulations;
 - 30.2.3. be placed on the Municipality's website.

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30.3. The Mayor's quarterly report on the implementation of the budget and the financial state of affairs of the Municipality as required by Section 52(d) of the MFMA must comply with the requirements of Regulation 30 of the Regulations and be published in accordance with Section 75(1) (k) of the MFMA and Regulation 32 of the Regulations.

30.4. Mid-year budget and performance assessments of the Municipality as required by Section 72 of the MFMA must be in the format, be published, and be submitted as required by Regulations 32, 33 and 34 respectively of the Regulations.

31. Related Policies

This policy must be read in conjunction with the following budget –related policies of the Municipality:

31.1. The Credit Control and Debt Collection Policy;

31.2. The Indigent Management Policy;

31.3. Tariffs Policy;

31.4. Property Rates Policy;

31.5. Borrowing Policy;

31.6. Virement Policy;

31.7. Asset Management Policy;

31.8. Cash Management and Investment Policy;

31.9. Personnel Policies;

32. Review of Policy

This policy is to be reviewed annually by the Budget Steering Committee prior to the budget process commencing.

33. Delegations and Responsibility for Implementation

- 33.1. All such powers as may be necessary for the accounting officer and the chief financial officer to carry out their respective responsibilities under this policy shall be delegated or sub-delegated, as the case may require, to them in accordance with the relevant provisions of the MFMA and the Municipal Systems Act and recorded in the appropriate register of delegations.
- 33.2. The Municipal Manager shall be responsible for the implementation of this policy, provided that the Municipal Manager shall delegate such powers to the Chief Financial Officer as may be required under paragraph 6.2 of this policy.

34. Commencement

This policy will be effective on the date of adoption by Council

EPHRAIM MOGALE LOCAL MUNICIPALITY



OVERTIME & STANDBY POLICY

DOCUMENT APPROVAL

| Responsible Person: | Name | Signature | Date |
|------------------------|------|-----------|------|
| | | | |

Date of approval: _____



OVERTIME & STANDBY POLICY

1. Definition:

- “Deductions”* - means income tax, pension, medical fund etc.
- “Earnings”* - means gross pay before deductions
- “Emergency work”* - means any work to be done without delay in respect of the interruption of essential services, arising from fire, an accident, a mishap, a storm, an epidemic, an act of violence, theft, failure of equipment or machinery or any other unforeseen event, or work in connection with repairs to equipment and machinery which cannot be done during working hours.
- “Employer”* means Ephraim Mogale Local Municipality,
- “Overtime”* - means the time that a qualifying employee works during a day of a week in excess of the ordinary hours of work.
- “Remuneration”* - means remuneration as defined in the Schedule issued in terms of Section 35(5) of the Basic Conditions of Employment Act, 1997 (Act 75 of 1997) as amended.
- “Wage”* - means the amount of money paid or payable to an employee in respect of ordinary hours of work.
- “Standby allowances”*- Standby allowance is a compensatory allowance which is paid to an employee when he/she is instructed to keep himself/herself readily available to work after normal working hours for standby duty.

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“Stand-by duties” - means the period determine by the employer during which an employee shall be available and in a state of mind that will enable him/her to perform emergency work related to the provision of service he/she normally perform albeit outside normal working hours.

2. Purpose:

- 2.1 To provide framework and guidelines for the implementation and maintenance of overtime and standby worked and the remuneration attached thereto.
- 2.2 The policy applies to all full time and contract employees of the Municipality except those employees excluded in terms of the earning threshold amount as published by the Minister of Labour annually, unless otherwise agreed with those excluded employees.
- 2.3 To ensure proper administration of overtime and standby costs for the Municipality.
- 2.4 To enable immediate action by employees who are on pre-approved overtime and on scheduled standby for work that need to be performed.
- 2.5 To ensure proper administration of, and speedy attention to emergency work to be performed.

3. Regulatory framework:

- 3.1 The Constitution of South Africa (Act 108 of 1996 as amended).
- 3.2 The Basic Conditions of Employment Act, 1997 (Act 75 of 1997 as amended).
- 3.3 The South African Local Government Bargaining Council: Main Collective Agreement and other related agreements.
- 3.4 The Collective Agreement on Condition of Services for the Limpopo Division.
- 3.5 Local Government: Municipal Systems Act, 2000 (Act 32 of 2000 as amended).

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- 3.6 Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003 as amended).

4. Principles:

- 4.1 Employees may not work overtime or receive standby allowances without completing a pre- approved form duly signed by the Manager/Director of the department.
- 4.2 All overtime and standby allowance related issues shall be in line with the Limpopo Division Conditions of Service Agreement and other internal guidelines of the Municipality.

5. Prior Approval:

- 5.1 No employee shall be remunerated for overtime worked and standby served without prior approval granted by the relevant Manager / Director and is required in terms of a work related schedule.
- 5.2 No employee shall be remunerated for overtime worked, emergency work and standby served unless there is sufficient budget allocation.

6. Responsibilities:

- 6.1 It is every Department's Director and/or Manager's responsibility to ensure proper implementation and management of the overtime and standby policy.
- 6.2 The Human Resources Division shall be responsible for the calculation and paying out of overtime worked as well as standby allowances with the salaries of affected employees.
- 6.3 Employees may choose between the payment for overtime or time off for overtime worked.

7. Payment for overtime worked:

Employees shall be:

- 7.1 Paid 1.5 times the normal hourly rate *or*

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7.2 Alternatively the employee may choose to receive paid time off or combination of pay and time off.

8. Overtime worked on Saturdays:

Employees who normally work five days a week shall be:

- 8.1 Paid 1.5 times the normal hourly rate,
- 8.2 Paid not less than the employee's ordinary wage for overtime worked and be granted at least 30 minutes time off on full pay for every hour worked **or**
- 8.3 be granted at least 90 minutes paid time off for each hour of overtime worked.

9. Overtime on Sundays and Public Holidays:

Employees who normally work five days a week will be:

- 9.1 An employee who occasionally works on a Sunday must receive double pay.
- 9.2 An employee who ordinarily works on a Sunday must be paid at 1.5 times the normal wage.
- 9.3 Paid time off in return for working on a Sunday may be agreed upon between the Municipality and the employee.

10. Overtime on Public Holidays:

- 10.1 Employees must be paid their ordinary pay for any public holiday that falls on a working day.
- 10.2 Work on a public holiday is by agreement and paid at double the rate.
- 10.3 A public holiday may be exchanged with another day by agreement.

11. Time Frame:

- 11.1 The employee shall be granted paid time off within one month of the employee becoming entitled to it where operational circumstances allow, or later where circumstances does not allow, provided such is within the same financial year.
- 11.2 The employer shall pay overtime on the employee's normal payday.

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12. Limitations:

- 12.1 No employee shall work overtime of more than EIGHT (08) HOURS excluding lunch hour per week or 40 hours per month.
- 12.2 No employee shall claim overtime of more than THIRTY (30%) PERCENTUM of his/her basic salary.
- 12.3 All approval for overtime must be supported by a written explanations by the Director and/or Manager of the affected department.

13. Standby duties:

- 13.1 Refers to the period determine by the employer during which an employee shall be available and in a state of mind that will enable him/her to perform emergency work related to the provision of service he/she normally perform albeit outside normal working hours.
- 13.2 Standby duties shall be performed by employees appointed in the Municipality as identified and approved by the Director. Provided that the Municipal Manager may designate other post for *ad hoc* standby duties.
- 13.3 Standby duties shall only be done by employees in their relevant department or sections, an employee shall not be requested to be on standby if he/she is working in a different department or section.
- 13.4 Standby timetable shall be according to a rotational schedule compiled by the official tasked to do so and approved by the designated Manager.
- 13.5 An employee on standby shall ensure to have the means of communication devise with him/her at all times.
- 13.6 An employee on standby shall reside within a road distance of 10km from the Municipal head office at 13 Ficus Street or shall be able to reach the Municipal Workshop within 10 minutes with own methods.
- 13.7 Compensation for Standby duties shall be according to the formulae in Clause 14 of this policy.

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14. Standby allowances:

14.1 Standby allowance is a compensatory allowance which is paid to an employee when he/she is instructed to keep himself/herself readily available to work after normal working hours for standby duty.

14.2 The following formula shall be used for the calculation of standby allowance:

$$\text{Normal week day} : X = \frac{Y}{8}$$

$$\text{Saturday} : X = \frac{Y \times 1.5}{8}$$

$$\text{Sunday / Public holiday} : X = \frac{Y \times 2}{8}$$

$$\text{Where} : \frac{Y = \text{Current Notch}}{250}$$

X = Stand by allowance

14.3 Standby allowance shall be increased annually by the amount agreed to at the South African Local Government Bargaining Council (SALGBC) in respect of salary/wage increases.

14.4 The Municipality shall ensure that an employee on standby, shall have the means of communication, if not provided, a cellphone allowance shall be paid.

14.5 The normal overtime tariffs shall be paid to standby duty employee for services rendered outside of the normal working hours.

14.7 Standby allowance shall be payable to operational employee and in exceptional cases the Municipal Manager may designate other post for *ad hoc* standby allowance.



15. Emergency work:

In the case of emergencies owing to circumstances for which the Municipality could not have made provision, the Municipality may require an employee to perform emergency work outside his/her normal working hours and remuneration for such emergency work shall, irrespective of the limitation of the overtime threshold as determined by the Minister valid at the time, be paid as provided for in the Basic Conditions of Employment Act as follows:

- 15.1 Monday to Saturday : 1.5 times the normal rate of pay.
- 15.2 Sunday and Public holidays : Double the normal rate of pay.

Provided that such work is authorized by the Municipal Manager, his/her assignee or delegate.

16. Exemptions:

- 16.1 Directors, Managers, Administrative Personnel, Technical and Professional Personnel, if in receipt of a regular annual earnings of more than the amount per annum as regulated by the Ministerial determination of earning threshold as published in the Government Gazette on an annual basis.
- 16.2 The Municipal Manager may authorize that certain categories of employees be exempted from the Ministerial earning threshold upon receiving a request with motivation to do so from the Director of the department.

17. Implementation:

This Policy shall be implemented once it has been approved by the Council.

18. Amendment of the Policy:

The Policy shall be amended once per annum and inputs may be submitted to Director Corporate Services.



EPHRAIM MOGALE LOCAL MUNICIPALITY

OVERTIME/ EMERGENCY PRE-APPROVAL FORM

APPLICANT INFORMATION:

Name : _____ Surname : _____
 Employee no. : _____ Dept. : _____
 Section : _____ Vote : _____
 Months : _____

| DATE | DESCRIPTION OF WORK | DEPARTMENT | REQUESTED BY | TIME | | TOTAL PERIOD |
|------|---------------------|------------|--------------|------|----|--------------|
| | | | | From | To | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

MOTIVATION FOR THE ENVISAGED OVERTIME/EMERGENCY WORK:

Signature of Applicant : _____ Date : _____

APPROVED/NOT APPROVED

MANAGER

DATE

EPHRAIM MOGALE LOCAL MUNICIPALITY
OVERTIME / EMERGENCY WORK CLAIM FORM

APPLICANT INFORMATION:

Name : _____ **Surname** : _____

Employee no. : _____ **Dept.** : _____

Section : _____ **Vote** : _____

NB: Employees are encouraged to consider exchanging overtime worked with time off.

| Date | Description of work done | Duration | | Emergency work | Overtime | Time Off | Tariff |
|------|--------------------------|----------|----|----------------|----------|----------|--------|
| | | From | To | | | | |
| | | | | | | | |
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Signature of Applicant: _____ **Date** : _____

I hereby certify that it was necessary to perform the abovementioned overtime and/or emergency duties for the proper execution of the work and that the overtime and/or emergency work is reasonable according to my knowledge true and correct.

Supervisor: _____ **Date:** _____

Manager: _____ **Date:** _____

APPROVED / NOT APPROVED

Director: _____

Date : _____

HR: Control
Finance: Authorised

Finance Captured

Date: _____

Date: _____

Date: _____

NOTES

EPHRAIM MOGALE LOCAL MUNICIPALITY



Ephraim Mogale Local Municipality

**2016/17 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

INDIGENT SUPPORT POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY

PRINCIPLES AND POLICY ON SUBSIDY SCHEME FOR INDIGENT HOUSEHOLDS

1. INTRODUCTION

- 1.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1)(b) and 153(b) of the Constitution.
- 1.2 Basic services are generally regarded as to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.
- 1.3 The Constitution recognises Local Government as a local sphere of Government and as such also entitles Local Government to a share of nationally raised revenue, which will enable it to perform their basic function of providing essential services to the community within their boundaries.
- 1.4 The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the Local Authority is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.
- 1.5 To achieve this purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
- 1.6 The consumer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to the policies, procedures, rules and limitations determined by the Ephraim Mogale Municipality.

2. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Ephraim Mogale Municipality and to ensure that the same procedure be followed for each individual case.

3. CRITERIA FOR IDENTIFICATION TO QUALIFY FOR INDIGENT SUPPORT

- 3.1 Grants-in-aid may, within the financial ability of the Municipality, be allocated to owners or tenants of premises who receive electricity, water, sanitation, or refuse removal or other services from the Municipality, in respect of charges payable to the Municipality for such services.
- 3.2 These grants may be allocated if such a person or any other occupier of the property concerned can submit proof or declare under oath that all occupants over 18 years of age had no income or a verified total gross monthly income of less than the amount indicated in terms of the definitions below for the preceding three consecutive months.
 - 3.2.1 Definition of a Destitute Indigent. If the total income of all occupants is not more than an amount as determined by the Council from time to time.

EPHRAIM MOGALE LOCAL MUNICIPALITY

Currently, this amount is deemed to be equal than the amount received by two state pensioner.

- 3.2.2 Definition of an Indigent. If the total income of all occupants is more than the amount determined for a destitute indigent and less than an amount as determined by the Council from time to time. Currently, this amount is deemed to be equal than the amount received by two state pensioners.
- 3.3 Only one application per person (household consumer) in respect of one property only shall qualify for consideration. A business, school, corporate body, club or governing body shall not qualify for consideration.
- 3.4 The subsidy will apply to the owner or tenant of the property concerned.
- 3.5 The subsidy will not apply in respect of households owning more than one property and who will therefore not be classified as indigent.

4. APPLICATION AND AUDIT FORM

- 4.1 An application form as approved by Council called an "Application for Indigent Household Subsidy", must be completed by all consumers who qualify in terms of this policy and wishes to be subsidised in terms of this policy.
- 4.2 The account holder must apply in person and must present the following documents upon application:-
- (a) The latest Municipal account in his/her possession.
 - (b) The accountholder's identity document.
 - (c) Information relating to the names and identity numbers of all occupants/residents over the age of 18 years, who reside at the property in the form of an affidavit.
 - (d) Documentary proof of income where possible or an affidavit of financial means and monthly cash flows.
 - (e) Statement of monthly income and expenditure.
- 4.3 Information in respect of all applications must be verified by an official or municipal agent appointed by Council. The relevant Ward Councillor must be involved during the evaluation process and must verify the application together with the relevant officials and local community leaders or ward committee members appointed by Council in this regard.
- 4.4 Application forms must be considered in conjunction with this policy.
- 4.5 The list of indigent households may be made available at any time to the Information Trust Corporation (ITC) for the purpose of exchanging credit information. Households qualifying for consumer credit elsewhere will not be regarded as indigents.
- 4.6 If an application is favourably considered, a subsidy will only be granted during that municipal financial year and the subsequent twelve (12) month budget cycle. The onus will rest on the approved account holders to apply for relief on an annual basis.

5. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- 5.1 The Chief Financial Officer will be responsible to compile and administer the database for households registered in terms of this policy.

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- 5.2 Council reserves the right to send officials or its agents to premises/households receiving relief from time to time for the purpose of conducting an on-site audit of the information and details supplied.

6. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- 6.1 Applicants will be required to sign and submit a sworn affidavit, to the effect that all information supplied is true and that all income, i.e. from formal and/or informal sources, is declared.
- 6.2 Any person who supplies false information will be disqualified from further participation in the subsidy scheme. He/she will also be liable for the immediate repayment of all subsidies received, and the institution of criminal proceedings, as Council may deem fit.
- 6.3.1 The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigency status.

7. SERVICES TO BE SUBSIDISED

7.1 Electricity

- 7.1.1 All registered indigents will receive 50 units of electricity per month free of charge. Unused free electricity units shall not be carried over to the next month. Any meter tampering or dishonesty shall result in the termination of the subsidisation.

7.2 Water

- 7.2.1 All registered and approved indigent consumers will receive the first 6 kilolitres of water fully subsidised. Depending on the availability of funds for this purpose, a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year for consumption in excess of 6 kilolitres per month. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.3 Refuse Removal

- 7.3.1 All registered destitute indigents shall be fully subsidised for refuse removal. All registered indigents shall be subsidised for refuse removal as determined and provided for by the Council in the annual budget from time to time. Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

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7.4 Sewerage

7.4.1 All registered destitute indigents shall be fully subsidised for sewerage services. All registered indigents shall be subsidised for sewerage services as determined and provided for by the Council in the annual budget from time to time.

Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.5 Site Rental

7.5.1 All registered destitute indigents shall be fully subsidised for the payment of site rental. All registered indigents shall be subsidised for the payment of site rental as determined and provided for by the Council in the annual budget from time to time. Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.6 Property Rates

7.6.1 All registered destitute indigents shall be fully subsidised for the payment of property rates. All registered indigents shall be subsidised for the payment of property rates as determined and provided for by the Council in the annual budget from time to time. Depending on the availability of funds for this purpose a subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

8. TARIFF POLICY

8.1 The Local Government Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003 determines that a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements and which complies with the provisions of the Act and with any other applicable legislation.

8.2 A tariff policy must reflect, amongst others, at least the following principles, namely that:-

- The amount individual users pay for their services should generally be in proportion to their use of that service;
- Poor households must have access to at least basic services through-
 - tariffs that cover only operating and maintenance costs;

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- special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
- any other direct or indirect method of subsidisation of tariffs for poor households; and
- The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

8.3 Council's tariff policy as adopted by council conforms to the principles and conditions contained in paragraphs 8.1 and 8.2 above and shall be applied in conjunction with this policy.

9. SOURCES OF FUNDING

9.1 The extent of subsidisation contemplated in this policy shall be subject to the *quantum* of the equitable share received by Council on an annual basis. This amount may vary from year to year according to the new allocation for a particular financial year.

9.2 If approved as part of the tariff policy the amount of subsidisation may be increased through cross subsidisation, i.e. step tariff system.

10. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

10.1 No amount shall be paid to any person or body, but shall be transferred as a credit towards the approved account holder's municipal services account in respect of the property concerned.

10.2 Arrear amounts shall not qualify for any assistance and shall not be taken into consideration. Calculations shall be based on the monthly current accounts only and in accordance with the approved tariff policy.

11. ARREAR ACCOUNTS

11.1 The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.

11.2 The arrears on the accounts of households, approved as indigent, will be submitted to Council for consideration to be written off in full (including any interest charged). This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.

12. RESTORING SERVICES TO QUALIFIED HOUSEHOLDS

12.1 If an application is approved, services will be restored free of charge. If services are to be suspended thereafter in terms of the approved credit control policy the approved tariff for reconnection will be payable.

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13. CONSUMPTION SUBJECT TO MUNICIPAL RESTRICTIONS

13.1 Where restriction of consumption applies to a particular service, applicants must comply with such restrictions in the same manner as any other consumer and may not refuse to be restricted in terms of Council policy. Where restrictions are not possible the account holder will be responsible for the consumption in excess of the approved subsidy.

14. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

14.1 Aims of the Policy.

14.1.1 The Credit Control Policy of the Council aims to achieve the following:-

- ❑ To distinguish between those who can and cannot genuinely pay for services;
- ❑ To identify and provide for those who cannot pay to register with the municipality in order to consider subsidies to such consumers;
- ❑ To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures; and
- ❑ To establish an indigent directory of all persons who complies with the policy.

14.2 Obligation to Pay.

14.2.1 The policy on provision of services should endeavour to provide services in accordance with the amount available for subsidisation.

14.2.2 It is however important to note that the subsidy received, in the majority of cases, does not cover the full account. In such event the consumer is still responsible for the balance between the full account and the subsidy received.

14.2.3 Where applicable, credit control must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

15. IMPLEMENTATION AND REVIEW OF THIS POLICY

15.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

15.1 In terms of section 17(1)(e) of the Municipal Finance Management Act, 2003 this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

CERTIFICATE OF ENDORSEMENT:

The Agreement to this Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing and been signed by the Accounting Officer. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.



Ephraim Mogale Local Municipality

**2016/17 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

FUNDING AND RESERVE POLICY

EPHRAIM MOGALE LOCAL MUNICIPALITY

INTRODUCTION

The funding and reserves policy is aimed to ensure that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

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

OBJECTIVES OF POLICY

The objectives of the policy are to:

- 2.1 Ensure that the Medium Term Expenditure Framework (annual budget) of the municipality is appropriately funded.
- 2.2 Ensure that cash resources and reserves are maintained at the required levels to avoid future year unfunded liabilities.
- 2.3 To achieve financial sustainability with acceptable levels of service delivery to the community.
- 2.4 To set out the assumptions and methodology for estimating:
 - 2.4.1. The provisions for the revenue that will not be collected based on past trends and payment rates.
 - 2.4.2. The funds that the Municipality can expect to receive from Investments.

LEGISLATIVE REQUIREMENTS

The legislative framework governing borrowings are:

- 3.1 Local Government Municipal Finance Management Act, Act 56 of 2003; and
- 3.2 Local Government Municipal Budget and Reporting Regulation, Regulation 393, published under Government Gazette 32141, 17 April 2009.

FUNDING OF ANNUAL BUDGET

- 4.1 An annual budget may only be funded from:
 - (a) cash backed accumulated funds from previous years surpluses and reserves not committed for any other purpose; and/or
 - (b) Borrowed funds but only for capital expenditure.
 - (c)
 - (d) Gazetted Grant Funding.

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- (e)
 - (f) Realistically anticipated revenue to be collected.
- 4.2 Realistic anticipated revenue projections must take into account:
 - (a) Projected revenue for the current year based on collection levels to date.
 - (b) Actual revenue collected in previous financial years.
- 4.3 Capital expenditure may only incur on a capital project if:
 - (a) The funding for the project has been appropriated in the capital budget.
 - (b) The total cost for the project has been approved by Council.
 - (c) The future budgetary implications and projected cost covering all financial years until the project is operational has been considered.
 - (d) The implications of the capital budget on municipal tax and tariff.
 - (e) The sources of funding are available and have not been committed for other purposes.

CASH MANAGEMENT

- 5.1 The availability of cash is one of the most important requirements for financial sustainability and must be closely monitored to ensure a minimum days cash on hand of sixty (60) days for its daily operations.
- 5.2 Changes in the municipal environment that may have an impact on the municipal cash position include:
 - (a) Changes in revenue levels as a result of consumption patterns (e.g. load shedding);
 - (b) Reduced GDP growth as a result of economic conditions;
 - (c) Increase in non-payment rate as a result of economic conditions;
 - (d) Increased debt levels.
- 5.3 Surplus cash not immediately required for operational purposes is invested in terms of the municipality's investment policy to maximize the return on cash.

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DEBT MANAGEMENT

- 6.1 Debt is managed in terms of the municipal Credit control and Debt collection policy.
- 6.2 The provision for revenue that will not be collected are budgeted as an expense (Debt Impairment) and is based on the projected annual non-payment rate for each service.

OPERATING BUDGET

- 7.1 The operating budget provides funding to departments for their medium term expenditure as planned. The municipality categorizes services rendered to the community according to its revenue generating capabilities.
- 7.2 Projected Revenue from service charges must be realistic based on the current and past trends with expected growth considering the current economic conditions. The following factors must be considered:
- (a) Metered services (Electricity)
 - The consumption trends for the previous financial years;
 - Actual revenue collected in the previous financial years;
 - Increases in tariffs by regulatory bodies.
 - (b) Refuse removal Services
 - The actual number of erven receiving the service per category.
 - Actual revenue collected in the previous financial years.
 - (c) rates and general services – services that are funded by rates, surpluses generated by trading services, and/or other revenues generated such as fines, interest received, grants and subsidies etc.
- 7.2 The operating budget is funded from the following main sources of revenue:
- (a) Property rates.
 - (b) Surpluses generated from service charges.
 - (c) Government grants and subsidies.
 - (d) Other revenue, fines, interest received etc.
 - (e) Cash backed accumulated surpluses from previous years not committed for any other purposes.
- 7.3 The following guiding principles apply when compiling the operating budget:

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- (a) The annual budget must be balanced.
- (b) Growth parameters must be realistic taking into account the current economic conditions.
- (c) Tariff adjustments must be realistic, taking into consideration the general inflation, affordability, bulk increases and the demand according to the approved Integrated Development Plan (IDP).
- (d) Revenue from government grants and subsidies must be in line with allocations gazette in the Division of Revenue Act and provincial gazettes.
- (e) Property rates are levied according to the Municipal Property Rates Act, and property rates policy based on land and improvement values. The budget is compiled using the latest approved valuation and supplementary roll, consistent with current and past trends. Property rates tariffs and rebates are determined annually as part of the tariff setting process.
- (g)
- (f) Rebates, exemptions or reductions for service charges are budgeted either as revenue foregone or as a grant as per directive in MFMA Budget Circular 51 depending on the conditions thereof.
- (h)
- (g) Other projected income is charged in terms of the approved sundry tariffs and fines considering the past trends and expected growth for each category
- (h) Provision for revenue that will not be collected is made against the expenditure item debt impairment and based on actual collection levels for the previous financial year and the projected annual non-payment rate.
- (i) Transfers from the accumulated surplus to fund operating expenditure will only be allowed for specific once-off projects and with no recurring operating expenditure resulting thereof.
- (j) A detailed salary budget is compiled on an annual basis. All funded positions are budgeted for in total and new and/or funded vacant positions are budgeted for twelve (12) months of the total package considering the recruitment process. As a guiding principle the salary budget should not constitute more than 35% of annual operating expenditure.

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- (k) Depreciation charges are fully budgeted for according to the asset register and to limit the impact of the implementation of GRAP 17 a transfer from the accumulated surplus is made.
 - (l) To ensure the health of municipal assets, sufficient provision must be made for the maintenance of existing and infrastructure assets based on affordable levels, resulting that maintenance budgets are normally lower than the recommended levels. Therefore the mere reduction of maintenance budgets to balance annual budgets must carefully be considered. 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.
 - (m) Individual expenditure line items are to be revised each year when compiling the budget to ensure proper control over expenditure. Increases for these line items must be linked to the average inflation rate and macro-economic indicators unless a signed agreement or contract stipulates otherwise.
- (i) However the annual cash flow requirement for the repayment of borrowings must fully be taken into consideration with the setting of tariffs.

CAPITAL BUDGET

8.1 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.

8.2 Provisions on the capital budget will be limited to availability of sources of funding and affordability. The main sources of funding for capital expenditure are:

- (a) accumulated cash back internal reserves;
- (b) borrowings;
- (c) government grants and subsidies; and
- (d) Operating revenue

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

- (a) Government grants and subsidies:

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- (i) only gazette allocations or transfers as reflected in the Division of Revenue Act or allocations as per provincial gazettes may be used to fund projects;
 - (ii) the conditions of the specific grant must be taken into consideration when allocated to a specific project; and
 - (iii) Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.
- (b) 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 is guaranteed by means of:
 - (i) Signed service level agreement;
 - (ii) Contract or written confirmation;and/or
 - (iii) Any other legally binding document.
- (c) Public donations, contributions and other grants are provided for on the relevant department's operating budget to the extent the conditions will be met during the financial year.
- (d) The borrowing requirements are used as a basis to determine the affordability of external loans over the Medium Term Revenue and Expenditure Framework. The ratios to be considered to take up additional borrowings:
 - (i) Long-term credit rating of BBB;
 - (ii) interest cost to total expenditure to not exceed 5%;
 - (iii) long-term debt to revenue (excluding grants) not to exceed 50%;
 - (iv) payment rate of above 95%;
 - (v) Percentages of capital charges to operating expenditure less than 15%.
- (e) Allocations to capital projects from cash back internal reserves will be based on the available funding for each ring-fenced reserve according to the conditions of each reserve as follows:
 - (i) infrastructure projects to service new developments and the revenue is received through the sale of erven must be allocated to the capital reserve for services ;
 - (ii) Capital projects of a smaller nature such as office equipment, furniture, plant and equipment etc. must be allocated to the capital reserve from revenue which is funding from the revenue budget for that specific year.

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A general principle is that these types of capital expenditure should not exceed more than 2% of total operating expenditure;

(iii) capital projects to replace and/or upgrade existing assets will be allocated to the capital replacement reserve;

(iv) Capital projects to upgrade bulk services will be allocated to the capital bulk contributions reserve for each service.

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

- (a) additional personnel cost to staff new facilities once operational;
- (b) Additional contracted services, that is, security, cleaning etc.
- (c) Additional general expenditure, that is, services cost, stationery, telephones, material etc.
- (d) Additional other capital requirements to the operate facility, that is, vehicles, plant and equipment, furniture and office equipment etc.
- (e) additional costs to maintain the assets;
- (f) additional interest and redemption in the case of borrowings;
- (g) additional depreciation charges;
- (h) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

RESERVES

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

9.2 The following ring fenced reserves exist:

- (a) *Capital reserve for new developments*

This reserve is used to fund capital expenditure to service new developments. Each development is ring fenced within this reserve. The valuer determines the price for the erven to be sold and the revenue generated through the sale of erven is then allocated to the specific development.

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This reserve must be cash backed to ensure the availability of cash to fund the capital expenditure required to service the even.

(b) *Capital replacement reserve*

Funding for capital budgets of future financial years are generated through a combination of methods. Once a municipality has reached its maximum gearing ability no further borrowings can be taken up. This necessitates that the municipality also invests in a capital replacement reserve, however, it must be cash backed.

This reserve once fully established will enable the municipality to provide internal funding for its capital replacement and renewal programme.

In the past the cash generated from depreciation was used for the redemption payments on borrowings only. The increased asset value as a result of GRAP 17 has resulted that the depreciation charges increased drastically which was not supported by cash.

To limit the tariff increases a non-cash contribution was made from the depreciation reserve to offset the depreciation charge.

Depreciation is a method to generate future cash. Therefore it is anticipated to annually incrementally decrease the offset depreciation charge from the depreciation reserve with 2% until the depreciation is fully funded from cash through tariff setting.

Other contributions to the capital replacement reserve through the operating budget is:

- (i) interest received on investments;
 - (ii) surface rentals from mines as identified from time to time;
- and

This reserve must be cash backed to ensure the availability of cash to fund the municipal capital programme.

(c) *Bulk capital contribution reserves*

This reserve is to supplement capital expenditure for the necessary expansions and upgrading of bulk infrastructure due to new developments. Revenue generated through bulk services contributions are allocated to this reserve for each applicable service. This reserve must also be cash backed.

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PROVISIONS

A provision is recognized when the municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities.

The municipality has the following provisions:

(a) *Leave provision*

Liabilities for annual leave are recognized as they accrue to employees. An annual provision is made from the operating budget to the leave provision.

(b) *Landfill rehabilitation provision*

The landfill site rehabilitation provision is created for the current operational site at the future estimated time of closure.

The value of the provision is based on the expected future cost to rehabilitate the landfill site. This provision must be cash backed to ensure availability of cash for rehabilitation on closure.

(c) *Long services awards*

Municipal employees are awarded leave days according to years in service at year end. Due to the fact that not all long service leave balances are redeemed for cash, only 75% of the long service leave provision is cash backed.

(d) *Post employment medical care benefits*

The municipality provides post-retirement medical care benefits by subsidizing the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over a period of employment.

OTHER ITEMS TO BE CASH BACKED

11.1 *Donations, public contributions, unspent grant funding*

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Revenue received from conditional grants, donations and funding is recognized as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash and are not available to fund any other items on the operating or capital budget other than that for which it was intended for.

11.2 Consumer deposits

Consumer deposits are partial security for a future payment of an account. Deposits are considered a liability as the deposit is utilized on the account once the service is terminated. Therefore the funds are owed to consumers and can therefore not be utilized to fund the operating or capital budget.

REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

IMPLEMENTATION OF THIS POLICY

This policy shall be implemented once approved by council of Ephraim Mogale Local Municipality.