



# **Ephraim Mogale Local Municipality**

**2018/19 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review**

|  |
|--|
| <b><u>TABLE OF CONTENTS</u></b>            |
| 1. CREDIT CONTROL & DEBT COLLECTION POLICY |
| 2. TARIFF POLICY                           |
| 3. PROPERTY RATES POLICY                   |
| 4. ASSET MANAGEMENT POLICY                 |
| 5. SUPPLY CHAIN POLICY                     |
| 6. INVESTMENT POLICY                       |
| 7. VIREMENT POLICY                         |
| 8. INDEGENT POLICY                         |
| 9. FUNDING AND RESERVE POLICY              |
| 10. BUDGET POLICY                          |
| 11 FLEET MANAGEMENT POLICIES               |
| 12. APPOINTMENT OF CONSULTANTS             |
| 13. UNKNOWN DIRECT DEPOSIT POLICY          |

---



## **Ephraim Mogale Local Municipality**

**Budget Related policies**

---



# **Ephraim Mogale Local Municipality**

**2018/19 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review**

**CREDIT CONTROL  
AND DEBT COLLECTION POLICY**

## **CREDIT CONTROL AND DEBT COLLECTION POLICY**

### **TABLE OF CONTENTS**

- 1. Preamble**
- 2. Definitions**
- 3. Principles**
- 4. Supervisory Authority**
- 5. Application for the Provision of Municipal Services**
- 6. Deposits and Guarantees**
- 7. Accounts and Billing**
- 8. Metering of municipal Services**
- 9. Payments of Accounts**
- 10. Interest on arrear debt**
- 11. Enquiries and Appeals**
- 12. Debt Collection**
- 13. Arrangement to pay arrear debt**
- 14. Indigent debtors**
- 15. Municipal staff – Payment of arrears**
- 16. Administration orders – Payment of arrears**
- 17. Write off of irrecoverable debt**
- 18. Certificates required for tenders**
- 19. Theft and fraud**
- 20. Reporting on performance management**
- 21. Income collection target**
- 22. Application of the policy**

### **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. Deter

#### **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.

#### **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.

**"Chief Financials 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.

**“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.

**“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;
- (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.

**“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.
- 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.
  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.
- 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.
    - 2.4 Businesses that have signed lease agreement with the owner of the premise together with letter of authority that permits the tenant to open municipal services account.
  - (3) Council will not entertain an application for the provision of municipal services from a tenant.
  - (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.
- (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 than 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.
  - (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 |

- (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 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.
- (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.
- (9.) Refuse Bags incentive Scheme for clients settling their accounts of 0-30 days.
- (10.) Complementary messages for good municipal services payers.
- (11.) For refund, Such refund will first settle other accounts due in the names of the customer and the remaining funds will only be processes for refund thereafter.

## 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.

- (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.
  - (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, electricity 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.
- (vi) No payment arrangement will be considered once the electricity supply is disconnected.

(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 and **the meter will be unblocked upon settlement of the account .**
  - (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.

(c ) 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 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.

(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.
    - 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.
- Government debts.
- 

(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.

(f) 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.
- 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, 60% of the total outstanding should be paid as an initial payment, and the remainder plus current account 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 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. The arrangement must be done before due date, no arrangement will be accepted after due date.

(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.

13. **Negotiation for Settlement of account;**

- (1) The MM/CFO may use his/her discretion on the settlement of accounts request by clients.
- (2) The MM/ CFO may use his/her discretion on the interest as part of settlement of negotiations with the prospective client.

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) In the submission to Council to write off debt Council must be provided with details of –
    - (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.
  - (3) 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.
- (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.
- (4) 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 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: -
      - (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.
- (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, theft and **illegal connections**.
- (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.



## **Ephraim Mogale Local Municipality**

**2018/19 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review**

### **TARIFF POLICY**

## TABLE OF CONTENTS

### 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

| SECTION | DESCRIPTION   |  |
|---------|---|--|
| 1.      | PREAMBLE  |  |
| 2.      | DEFINITION  |  |
| 3.      | INTRODUCTION AND OBJECTIVES                           |  |
| 4.      | PURPOSE OF THE POLICY                                 |  |
| 5.      | PRINCIPLES  |  |
| 6.      | CLASSIFICATION AND PRICING STRATEGIES OF SERVICES     |  |
| 7.      | Keeping Tariffs Affordable                            |  |
| 8.      | Redistribution/ Cross Subsidisation                   |  |
| 9.      | Ensuring Financial Sustainability of Service Delivery |  |
| 10.     | Tariff Determination Process                          |  |
| 11.     | Conclusion  |  |

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;

**“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;

**“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 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.
- 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:-

- 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.

**The council will levy penalty fees for illegal connections and bridging of municipal metering system.**

### **5.2. Economic Services**

This service include refuse removal, sewerage Disposal and recreational resorts/facilities and **any other economic municipal services not mentioned.**

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) (Once weekly removal).
    - Once off refuse removal( as and when required by consumers)
  - The Municipality reserves the right to determine the type of service, the minimum number of containers and the frequency of services.
  - 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.

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
- 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 and registration of the stand in the new owner's name.
- A fine may also be imposed for owners of stand who do not clean their stand and such leave the stand unclean with lot of grass which may pose safety to other nearby residence.

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 Municipal 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 1<sup>st</sup> 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.



**2018/19 Medium Term Revenue and Expenditure Framework (MTREF) Policy**

**PROPERTY RATES POLICY**

## **PROPERTY RATES POLICY**

|  |
|--|
| <b><u>TABLE OF CONTENTS</u></b>                      |
| 1. PREAMBLE AND LEGISLATIVE CONTEXT                  |
| 2. DEFINITIONS                                       |
| 3. POLICY PRINCIPLES                                 |
| 4. OBJECTIVES AND SCOPE OF THE POLICY                |
| 5. APPLICATION OF THE POLICY AND IMPOSITION OF RATES |
| 6. CLASSIFICATION OF SERVICES AND EXPENDITURE        |
| 7. CATEGORIES OF PROPERTY                            |
| 8. CATEGORIES OF OWNERS                              |
| 9. PROPERTIES USED FOR MULTI PURPOSES                |
| 10. DIFFERENTIAL RATING                              |
| 11. RELIEF MECHANISMS: EXEMPTIONS                    |
| 12. RELIEF MECHANISMS: REDUCTIONS                    |
| 13. RELIEF MECHANISMS: REBATES                       |
| 14. RATES INCREASE                                   |
| 15. NOTIFICATION OF RATES                            |
| 16. PAYMENT OF RATES AND ACCOUNTS TO BE FURNISHED    |
| 17. REGULAR REVIEW PROCESS                           |
| 18. SHORT TITLE                                      |
| 19. ENFORCEMENT/IMPLEMENTATION                       |
| 20. LEGAL REQUIREMENTS                               |

---

## **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 of 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 Greater Marble Hall 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.

---

## **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:

|                                     |   |
|-------------------------------------|---|
| <b>“Act”</b>                        | means the Local Government: Municipal Property Rates Act, 2004 (No 6 of 2004).  |
| <b>“Agricultural property”</b>      | in relation to the use of a property means property that is used for agricultural purposes but , without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of (a ) the property for the purpose of eco-tourism or for the trading in or hunting of game. , excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game.  |
| <b>“Agent”</b>                      | 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   |
| <b>“Agricultural purpose”</b>       | in relation to the use of a property, means property that is used primarily for agricultural purposes but without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;  |
| <b>“Annually”</b>                   | means once every financial year;  |
| <b>“Appeal board”</b>               | means a valuation appeal board established in terms of Act 6/2004.  |
| <b>“Assistant municipal valuer”</b> | means a person designated as an assistant municipal valuer in terms of Act 6 of 2004.   |
| <b>“Bona fide farmer”</b>           | 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.   |
| <b>“Business”</b>                   | 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. |
| <b>“Category”-a)</b>                | In relation to property and owners means a category of properties and owners determined in terms of Act 6 of 2004.  |
| <b>“Data-collector”</b>             | means a person designated as a data-collector in terms of Act 6 of 2004.  |
| <b>“Date of valuation”</b>          | means the date determined by a municipality in terms of Act 6 of 2004.  |
| <b>“Day “</b>                       | Means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on Saturday, Sunday or any public holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday.   |
| <b>“district municipality”</b>      | means a municipality that has municipal executive and legislation authority in an area that includes more than one municipality, and which is described in <u>section 155 (1) of the Constitution</u> as a category C municipality.   |
| <b>“Effective date”</b>             | 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> ;  |
| <b>“Exclusion”,</b>                 | in relation to a municipality’s rating power, means a restriction of that power as provided for in <u>section 17</u> ;  |

---

|   |  |
|---|--|
| <b>“Exemption”</b>                        | in relation to the payment of a rate, means an exemption granted by a municipality in terms of <u>section 15</u> ;   |
| <b>“Financial year”,<br/>“Government”</b> | means the period starting from 1 July in a year to 30 June the next year.<br>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.  |
| <b>“Illegal use”</b>                      | means any use that is inconsistent with or in contravention of the permitted use of the property.  |
| <b>“Improvement”</b>                      | means any building or structure on or under a property, including:   |
| •   | 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.   |
| <b>“Income Tax Act”</b>                   | means the Income Tax Act, 1962 ( <u>act No 58 of 1962</u> )  |
| <b>“Indigent”</b>                         | means debtors who are poor private residential households as defined by the municipality’s policy on Free Basic Services and Indigent Support.   |
| <b>“Industrial”</b>                       | 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.   |
| <b>“Land reform beneficiary”</b>          | in relation to a property, means a person who- <ul style="list-style-type: none"> <li>a. acquired the property through- <ul style="list-style-type: none"> <li>(i) the Provision of land and Assistance Act, 1993 (<u>Act no 126 of 1993</u>); or</li> <li>(ii) the Restitution of Land Rights Act, 1994 (<u>Act No 22 of 1994</u>);</li> </ul> </li> <li>b. holds the property subject to the Communal Property Associations Act, 1996 (<u>Act no 28 of 1996</u>); or</li> <li>c. holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to <u>section 25 (6) and (7) of the Constitution</u> be enacted after this Act has taken effect;</li> </ul>  |
| <b>“Land tenure right”</b>                | means an old order right or a new order right as defined in <u>section 1</u> of the Communal Land Rights Act, 2004 ( Act no 11 of 2004; Upgrading of Land Tenure Rights Act 1991 ( Act 112 of 1991)  |
| <b>“Local community”</b>                  | in relation to a municipality- <ul style="list-style-type: none"> <li>a. means that body of persons comprising- <ul style="list-style-type: none"> <li>(i) the residents of the municipality</li> <li>(ii) the ratepayers of the municipality</li> <li>(iii) any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and</li> <li>(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</li> </ul> </li> <li>b. includes, more specifically, the poor and other disadvantaged sections of such body of persons;</li> </ul> |
| <b>“Local municipality”</b>               | 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 <u>section 155(1) of the Constitution</u> as a category B municipality;  |

---

|  |  |
|--|--|
| <b>"Mining Property"</b>                         | means property used for mining operation as defined in the Mineral and Petroleum Resources Development Act 2002 ( Act 28 of 2002)  |
| <b>"Municipal"</b>                               | means owned and exclusively used by the municipality.  |
| <b>"Multiple uses"</b>                           | Means the use of a property for more than one purpose, subject to section 9.   |
| <b>"Market value"</b>                            | in relation to a property, means the value of the property determined in accordance with <u>section 46</u> ;   |
| <b>"MEC for local government"</b>                | means the member of the Executive Council of a province who is responsible for local government in that province;  |
| <b>"metropolitan municipality"</b>               | means a municipality that has exclusive executive and legislative authority in its area, and which is described in <u>section 155(1)</u> of <u>the Constitution</u> as a category A municipality;  |
| <b>"Minister"</b>                                | 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;  |
| <b>"Municipal council" or "council"</b>          | means a municipal council referred to in <u>section 18</u> of the municipal Structures Act;  |
| <b>"Municipal Finance Management Act"</b>        | means the local Government: Municipal Finance Management Act, 2003 ( <u>Act no 56 of 2003</u> );   |
| <b>"Municipality"</b>                            | (a) as a corporate entity, means a municipality described in <u>section 2</u> of the Municipal Systems Act; and<br>b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 ( <u>Act No 27 of 1998</u> );  |
| <b>"Municipal manager"</b>                       | means a person appointed in terms of <u>Section 82</u> of the Municipal Structures Act;  |
| <b>"Municipal Structures Act"</b>                | means the Local Government: Municipal Structures Act, 1998 ( <u>Act no 117 Of 1998</u> );  |
| <b>"Municipal Systems Act"</b>                   | means the Local Government: Municipal Systems Act, 2000 ( <u>Act No 32 of 2000</u> );  |
| <b>"municipal valuer" or "valuer"</b>            | of a municipality" means a person designated as a municipal valuer in terms of <u>section 33 (1)</u> ;   |
| <b>"Newly rateable property"</b>                 | 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-<br><ul style="list-style-type: none"> <li>- a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and</li> <li>- a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified.</li> </ul>   |
| <b>"New private infrastructure developments"</b> | 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.   |
| <b>"Non-urban land"</b>                          | means land which is not situated in an approved township and used for residential or agricultural purposes or not in use.  |
| <b>"occupier",</b>                               | 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;   |
| <b>"Office Bearer"</b>                           | in relation to places of public worship, means the primary person who officiates at services at that place of worship; 'official residence', in relation to places of public worship, means—<br>(a) a portion of the property used for residential purposes; or<br>(b) one residential property, if the residential property is not located on the same property as the place of public worship,<br>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;"; |
| <b>"Organ of state"</b>                          | means a organ of state as defined in <u>section 239</u> of <u>the Constitution</u>   |

---

**"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;
- In relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name right is registered; "(bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984; (bB) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980); (bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;"
- 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 curatorship;
  - (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  
(ViiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; 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;

**"Place of public worship"** means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is—

(a) registered in the name of the religious community;

---

(b) registered in the name of a trust established for the sole benefit of a religious community; or

(c) subject to a land tenure right;”;

**“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-

- 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 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.

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

**“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;”;

**“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;

---

|  |  |
|--|--|
| <b>"Rebate"</b>                            | in relation to a rate payable on a property, means a discount granted in terms of <u>section 15</u> on the amount of the rate payable on the property;   |
| <b>"Reduction"</b>                         | in relation to a rate payable on a property, means the lowering in terms of <u>section 15</u> of the amount for which the property was valued and the rating of the property at that lower amount;   |
| <b>"Register"-</b>                         | <u>means to record in a register in terms of-</u>  |
| (i)  | The Deeds Registries Act, 1937 ( <u>Act no 47 on 1937</u> ); or  |
| (ii)                                       | The Mining Titles Registration Act, 1967 ( <u>Act no 16 of 1967</u> ); and   |
|  | <u>includes any other formal act in terms of any other legislation to record-</u>  |
|  | A right to use land for or in connection with mining purposes; or  |
|  | A land tenure right;   |
| <b>"Residential"</b>                       | 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.   |
| <b>"Residential property"</b>              | means a property included in a valuation roll in terms of <u>section 48 (2) (b)</u> as residential;  |
| <b>"Sectional Titles Act"</b>              | means the Sectional Titles Act, 1986 <u>Act no 95 of 1986</u> ;  |
| <b>"Sectional title scheme"</b>            | means a scheme defined in <u>section 1</u> of the Sectional Titles Act'  |
| <b>"Sectional titles unit"</b>             | means a unit defined in <u>section 1</u> of the Sectional Titles Act;  |
| <b>"Specified public benefit activity"</b> | 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;  |
| <b>"State trust land"</b>                  | means land owned by the state- <ul style="list-style-type: none"> <li>a. in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;</li> <li>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 (<u>Act No 22 of 1994</u>);</li> </ul> |
| <b>"Tax base"</b>                          | means the values as reflected in the officially approved valuation roll of the municipality.   |
| <b>"Urban land"</b>                        | means land which is situated within a proclaimed township.   |
| <b>"Zoning"</b>                            | 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.  |
| <b>"Vacant land"</b>                       | means: <ul style="list-style-type: none"> <li>• Land where no immovable improvements have been erected; or</li> <li>• The value added by the immovable improvements is less than 10% of the value of the land.</li> <li>• Vacant land is categorized according to the permitted use of the property and is not regarded as a separate category of property.</li> </ul>             |

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.
- 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 fulfil its developmental responsibilities;
- Revenues derived from property rates represent a critical source of income for Municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially 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.

## **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
- 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

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
  - Agricultural purposes
  - Mining properties
  - Properties owned by an organ of state and used for public service purposes;
  - Public Service Infrastructure
  - Properties owned by public benefit organizations and used for any Specified public benefit activities
  - Properties used for multiple purposes subject to section 9
-

**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 as per council indigent policy.
- b. indigent status of the owner of a residential property in terms of the Municipality's indigent policy
- c. the age of the owner in respect of pensioners.
- 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

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:**

- a. 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.

**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

***“Differential rates***

8. (1) Subject to section 19, a municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, determined in subsection (2) and (3), which must be determined according to the—

- (a) use of the property;
- (b) permitted use of the property; or
- (c) a combination of (a) and (b).

(2) A municipality must determine the following categories of rateable property in terms of subsection (1): Provided such property category exists within the municipal jurisdiction:

- (a) Residential properties;
- (b) industrial properties;
- (c) business and commercial properties;
- (d) agricultural properties;
- (e) mining properties;
- (f) properties owned by an organ of state and used for public service purposes;
- (g) public service infrastructure properties;
- (h) properties owned by public benefit organisations and used for specified public benefit activities;
- (i) properties used for multiple purposes, subject to section 9; or
- (j) any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by notice in the Gazette.

(3) In addition to the categories of rateable property determined in terms of subsection (2), a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of subsection (2).

(4) (a) Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in subsection (2), a municipality must apply to the Minister in writing for authorisation to create one or more of such sub-categories.

(b) Such application must—

- (i) be accompanied by a motivation for such sub-categorisation;
- (ii) demonstrate that such sub-categorisation is not in contravention
  - a. of section 19; and

**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 | Municipal properties are exempted from paying rates as it |

|   |   |
|---|---|
| (Own municipality)  | <p>will increase the rates burden or service charges to property owners or consumers.</p> <p>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 <b>is excluded</b> from this exemption</p>  |
| (b) Residential properties  | All residential properties with a market value of <b>less than R40 000-00</b> 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 non-rateable 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   |
| <p><b>(e) <u>Public Benefit Organizations</u></b></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> |   |
| <u>(1) Health care institutions</u>   | 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.   |
| <u>(2) Registered Welfare institutions</u>  | 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                  |
| <u>(3) Educational institutions</u>   | Property belonging to educational institutions declared or registered by law and not operated for gain.   |
| <u>(4) Independent schools</u>  | Property used by registered independent schools for educational purposes only.  |
| <u>(5) Charitable institutions</u>  | Property belonging to not-for-gain institutions or organizations that perform charitable work.  |
| <u>(6) Sporting bodies</u>  | 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.   |
| <u>(7) Cultural institutions</u>  | Properties declared in terms of the Cultural Institutions Act, Act 29 of 1969 of the Cultural Institutions Act, Act 66 of 1989.   |

|  |  |
|--|--|
|  |  |
| <u>(8) Museums, libraries, art galleries and botanical gardens</u> | Registered in the name of private persons, open to the public and not operated for gain.   |
| <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 9<sup>th</sup> 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 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.

**PART 13                REBATES**

13.1 Category of property

|   | <u>CATEGORY OF PROPERTY</u>  | <u>REBATE</u>                         |
|---|--|---------------------------------------|
| * | <p><b>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:</b></p> <p><b><u>With improvements ( Rebates exclude for state owned properties)</u></b></p> <p><b><u>Without improvements</u></b></p> | <p><b>50 %</b></p> <p><b>None</b></p> |
| * | <b>Industrial properties</b>   | <b>None</b>                           |
| * | <b>Business and Commercial Properties</b>  | <b>None</b>                           |
| * | <u>Agricultural Properties</u>   |                                       |
|   | <b>Agricultural properties may be granted a rebate subject to the owner providing the Municipality with required information in an affidavit received not later than 30 September each year unless a different date is determined by Council for a specific year.</b>  |                                       |
|   | <p><b>Qualifying requirements are that the owner should provide proof that he is registered as a bona fide farmer with SARS,</b></p> <p><b><u>or</u></b></p> <p><b>where the owner is not taxed as a farmer, proof is required that income from farming activities exceeds 40% of the household income.</b></p>              |                                       |
|   | <u>Rebates may be granted on the following as outlined hereunder:</u>  |                                       |
| * | <u>The extent of municipal services provided to farm portions/agricultural holdings</u>  |                                       |
| * | <b>-if there are no municipal roads next to the property</b>   | <b>7.5 %</b>                          |
| * | <b>-if there is no municipal sewerage to the property</b>  | <b>7.5 %</b>                          |
| * | <b>- if there is no municipal electricity supply to the property</b>   | <b>7.5 %</b>                          |
| * | <b>- if water is not supplied by the municipality</b>  | <b>20 %</b>                           |
| * | <b>- if there is no refuse removal that is provided by the municipality</b>  | <b>7.5 %</b>                          |
| * | <u>The contribution of agriculture to the local economy</u>  |                                       |
| * | <b>- 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</b>  |                                       |

|   |  |       |
|---|--|-------|
|   | average.   | 5 %   |
| * | <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> |       |
| * | - if the owner provides permanent residential property to the farm workers and such property is registered in the name of these farm workers   | 5 %   |
| * | - if such residential properties are provided with potable water   | 5 %   |
| * | - if such residential properties are electrified by the farmer   | 5 %   |
| * | - 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.                                | 5 %   |
| * | <u>PROPERTIES OWNED BY AN ORGAN OF STATE AND USED FOR PUBLIC SERVICES.</u>   |       |
|   | State-owned properties : Public Service Infrastructure   | 100 % |
|   | State-owned properties : Schools, Hospitals, residential and business  | 0%    |
|   | Municipal Properties : Residential   | 100 % |
|   | Municipal Properties : Residential-for occupation by Mayor   | 100%  |
|   | Municipal Properties : Residential-rented out to staff and other parties   | 100%  |
| * | Municipal Properties: Public Service Infrastructure  | 100 % |
| * | Municipal Properties : Other Municipalities  | None  |
| * | Privately Owned Schools and Hospitals  | 50 %  |
| * | Old age institutions registered at the Department of Welfare   | 100%  |

**NOTE:** In addition to the foregoing, the first R15 000 of the market value of all residential properties which is included in the R40 000 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.

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

- (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:

| <u>CATEGORY OF PROPERTY OWNERS</u>  | <u>REBATE</u>  |
|---|--|
| Residential property owners who 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.   | 100 % of the rates based on the rateable value up to R100 000<br><br><u>and</u><br><br>75% of the rates based on the rateable value above R150 000.  |
| 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 500 per month, or such other amount as the Council may from time to time determine.   | 100 % of the rates based on the rateable value up to R100 000,<br><br>50 % of the rates based on the rateable value above 100 000 but below R150 000 <u>and</u><br><br>40% of the rates based on the rateable value above R150 000.        |
| <u>Applicants who are:</u><br><u>Medically unfit, disabled and retired due to medical reasons</u> <ul style="list-style-type: none"> <li>• Applicants qualify irrespective the age on condition that a medical certificate be produced to Council.</li> <li>• The maximum income must not exceed the perk laid down by Council from time to time.</li> <li>• The Applicant must be a registered owner of the property, living on the property and have occupied it for at least 5 years.</li> <li>• The Applicant cannot be a registered owner of more than one property in the Municipal area.</li> </ul> A rebate as determined on the above mentioned rates shall apply for residential applicants who qualify in terms of these criteria. | 100 % of the rates based on the rateable value up to R100 000,<br><br>50 % of the rates based on the rateable value above 100 000 but below R150 000<br><br><u>and</u><br><br>40% of the rates based on the rateable value above R150 000. |

COMPULSORY APPLICATION FOR REBATES:

- (ii) Property owners must apply on a prescribed application form for a rebate as determined by the municipality
- (iii) Applications must be accompanied by-
- (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.
- (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

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

- **The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods or services which they produce.**
- **The need to accommodate indigents and less affluent pensioners.**
- **The services provided to the community by public service organizations, schools and hospitals.**
- **The value of agricultural activities to the local economy coupled with the limited municipal services extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.**
- **The need to preserve the cultural heritage of the local community.**
- **The need to encourage the expansion of public service infrastructure.**
- **The indispensable contribution which property developers (especially In regard to commercial and industrial property development) make towards local economic development, and the continuing need to encourage such development.**
- **The requirements of the Property Rates Act no. 6 of 2004.**

**The municipal manager shall ensure that the revenues 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.**

---

- 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.
- (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 within 60 days of the date of the council resolution and publishing the notice in the provincial government gazette.
- (b) The resolution must include:
  - i) contain the date on which the resolution levying rates was passed;
  - (ii) Differentiate between categories of properties; and
  - (iii) Reflect the cent amount in the Rand rate for each category of property

**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.
- 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.

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 shall be implemented from the 1<sup>st</sup> of July every year for the duration of the financial year unless determined otherwise by council. The policy shall be reviewed either annually or when the Municipal Property Rates Act is amended or when council deems fit to do so.

## **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.

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;  
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;  
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

A municipality must adopt by-laws 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 TOBE 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 immoveable 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  
 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 above.

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;

---

In the cases of public service infrastructure; as determined by the Municipal Property Rates Act

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.

#### 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 promulgated the resolution in the provincial gazette.

Whenever a municipality passes a resolution to levy rates, the municipal manager must, without delay, conspicuously display the resolution 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 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;

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 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:

The first 30% of the market value 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 worship.

(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 impeding its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

---

#### SECTION 19: IMPERMISSIBLE DIFFERENTIATION

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.

#### 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 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

The rate levied by a municipality on a sectional title 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.

#### 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.

---

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 installments, 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 ARREARS FROM TENANTS AND OCCUPIERS

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.

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

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 rateable 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

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 five 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 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 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



**Ephraim Mogale Local Municipality**

---

## TABLE OF CONTENTS

|   | Page |
|---|------|
| 1. ABBREVIATIONS .....  | 1    |
| 2. Purpose of this document.....                                      | 2    |
| 3. background.....  | 2    |
| 4. OBJECTIVES.....  | 4    |
| 5. Approval and Effective date.....                                   | 4    |
| 6. KEY RESPONSIBILITIES.....  | 4    |
| 7. POLICY AMENDMENT .....   | 7    |
| 8. RELATIONSHIP WITH OTHER POLICIES .....                             | 7    |
| 9. REFERENCES.....  | 7    |
| 10. POLICY FOR FIXED ASSET ACCOUNTING .....                           | 8    |
| 11 POLICY FOR SAFEGUARDING FIXED ASSETS .....                         | 25   |
| 13. POLICY IMPLEMENTATION.....  | 30   |
| annexure A: expected useful lives AND RESIDUAL VALUES OF ASSETS ..... | 1    |

1. ABBREVIATIONS

Set out below are the abbreviations used in the policy together with their detailed descriptions:

|       |   |
|-------|---|
| AM    | Asset Management                                |
| AMS   | Asset Management System                         |
| CFO   | Chief Financial Officer                         |
| CoGTA | Cooperative Governance and Traditional Affairs  |
| EPWP  | Expanded Public Work Program                    |
| GIS   | Geographical Information System                 |
| GRAP  | Generally Recognised Accounting Practice        |
| HR    | Human Resource                                  |
| IAM   | Infrastructure Asset Management                 |
| IAMP  | Infrastructure Asset Management Plan            |
| IAMS  | Infrastructure Asset Management Strategy        |
| IAR   | Infrastructure Asset Register                   |
| IAS   | International Accounting Standards              |
| IDP   | Integrated Development Plan                     |
| IT    | Information Technology                          |
| KPI   | Key Performance Indicators                      |
| MFMA  | Municipal Finance Management Act                |
| OHSA  | Occupational Health and Safety Act              |
| O&M   | Operation and Maintenance                       |
| R     | Rand  |
| SDBIP | Service Delivery and Budget Implementation Plan |
| SCM   | Supply Chain Management                         |
| TOR   | Terms of Reference                              |
| VAT   | Value Added Tax                                 |

2. Purpose of this document

This document represents the policy of Municipality that set clear guidelines to municipal officials for the management and accounting of the Municipality's asset items, either movable or immovable and includes:

- 2.1 Property, plant and equipment;
- 2.2 Investment properties;
- 2.3 Heritage assets and
- 2.4 Intangible assets.

3. background

**a. CONSTITUTIONAL AND Legal framework**

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:

- providing democratic and accountable government for local communities;
- ensuring the provision of services to communities in a sustainable manner;
- promoting social and economic development;
- promoting a safe and healthy environment; and
- encouraging the involvement of communities and community organisations in matters of local government.

The manner in which a municipality manages its fixed assets is central to meeting the above challenges. Accordingly, the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable, and the Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective, efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Municipal Manager.

The Occupational Health and Safety Act (OHSA) requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its assets safe.

**b. Accounting standards**

The accounting standards that apply to municipalities are in transition. The MFMA requires municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. The Accounting Standards Board (ASB) has approved a number of Standards of Generally Recognised Accounting Practice (GRAP). When compiling a Fixed Asset Register in accordance with the accounting standards, the requirements of GRAP 17 cannot be seen

in isolation. Various other accounting standards impact on the recognition and measurement of assets within the municipal environment and should be taken into account during the compilation of a GRAP compliant asset register. The following latest Standards of GRAP (and respective latest directives) significantly impacts on the recognition and measurement of assets within the municipal environment:-

GRAP 05 – Borrowing Costs.

GRAP 11 - Construction Contracts.

GRAP 12 – Inventories.

GRAP 13 - Leases and more specifically, deemed finance leases.

GRAP 16 - Identification of items to be treated as Investment Properties.

GRAP 17 - Property Plant and Equipment.

GRAP 21 – Impairment of Non-Cash-generating assets.

GRAP 26 – Impairment of Cash-generating assets.

GRAP 31 – Intangible assets.

GRAP 100 - Discontinued Operations

**c. *MANAGEMENT OF infrastructure assets***

Effective management of infrastructure and community facilities is central to the municipality providing an acceptable standard of services to the community. Infrastructure impacts on the quality of the living environment and opportunities to prosper. Not only is there a requirement to be effective, but the manner in which the municipality discharges its responsibilities as a public entity is also important. The municipality must demonstrate good governance and customer care, and the processes adopted must be efficient and sustainable as councillors and officials are custodians of municipal assets on behalf of the public.

Key themes introduced in the latest generation of national legislation relating to municipal infrastructure management include:

- long-term sustainability and risk management;
- service delivery efficiency and improvement;
- performance monitoring and accountability;
- community interaction and transparent processes;
- priority development of minimum basic services for all; and
- provision for financial support from central government in addressing the needs of the poor.

Legislation has also entrenched the Integrated Development Plan (IDP) as the principal strategic planning mechanism for municipalities. However, the IDP cannot be compiled in isolation for the above objectives to be achieved. The IDP needs to be informed by robust, relevant and holistic information relating to the management of the municipality's infrastructure.

There is a need to direct limited resources to address the most critical needs, to achieve a balance between maintaining and renewing existing infrastructure whilst also addressing backlogs in basic services and facing ongoing changes in demand. Making effective decisions on service delivery priorities requires a team effort, with inputs provided by officials from a number of departments of

the municipality, including infrastructure, community services, financial planning, and corporate services.

Cooperative Government and Traditional Affairs (CoGTA) has prepared guidelines in line with international practice, that propose that an Infrastructure Asset Management Plan (IAMP) is prepared for each sector (such as water, roads etc). These plans are used as inputs into a Comprehensive Infrastructure Plan (CIP) that presents an integrated plan for the municipality covering all infrastructures. This is in line with the practice adopted in national and provincial spheres of government in terms of the Government-wide Immoveable Asset Management Act (GIAMA).

Accordingly, the asset register adopted by a municipality must meet not only financial compliance requirements, but also set a foundation for improved infrastructure asset management practice.

#### 4. OBJECTIVES

The objective of this policy is to:

- implement accrual accounting in terms of prevailing accounting standards; and
- apply asset management practices in a consistent manner and in accordance with legal requirements and recognised good practice.

#### 5. Approval and Effective date

The Municipal Manager is responsible for the submission of this document to Council to consider its adoption. Council shall indicate the effective date for implementation of the policy.

#### 6. KEY RESPONSIBILITIES

##### 6.1 Municipal Manager

The Municipal Manager is responsible for the overall management of the assets of the Municipality, including the safeguarding and the maintenance of those assets.

The Municipal Manager shall ensure that:

- An Asset Management Committee is established, through which all asset processes and procedures will be implemented.
- The Municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The Municipality's assets are valued in accordance with the standards of generally recognised accounting practice (GRAP);
- The Municipality has and maintains a system of internal control of assets, including an asset register;

- The assets of the Municipality is at all times properly insured against theft, damage and possible third party claims, and
- The Directors and the officials in their departments comply with the stipulations of this policy.

As Accounting Officer of the Municipality, the Municipal Manager shall be the principal custodian of all the Municipality's fixed assets, and shall be responsible for ensuring that this policy is effectively applied upon adoption by Council. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the CFO and Directors, of procedures to effectively and efficiently apply this policy.

## **6.2 Chief Financial Officer (Director – Finance)**

The Chief Financial Officer (CFO)'s responsibility is to ensure that the financial investment made in the municipal assets is safeguarded and maintained.

The CFO, as one of the Directors of the Municipality, shall also ensure, in exercising his/her financial responsibilities, that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the Municipality are utilised effectively, efficiently, economically and transparently;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the Municipality is collected, for example rental income relating to assets;
- The systems, procedures and registers required to substantiate the financial values of the Municipalities' assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General;
- Financial processes are established and maintained to ensure the Municipality's financial resources are optimally utilised through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets;
- The Directors and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- This policy and support procedures are established, maintained and effectively communicated.

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained. No amendments, deletions or additions to the fixed asset register shall be made without CFO's approval or by an official acting under the written instruction of the CFO.

## **6.3 Asset Management Committee**

The Asset Management Committee (AMC) shall ensure that:

- The Asset Management Policy is reviewed on an annual basis to ensure alignment with legislative and prescriptive guidelines;
- The process and procedure guidelines are reviewed on an annual basis to address any shortcomings and incorporate guidance received from the internal and external auditors;
- The Policy and Procedure Guidelines are implemented and adhered too;
- The Committee meets at least, every two months;
- A detailed action plan is developed for the annual review/verification of all assets; and that this action plan is effectively followed.

The following municipality officials must form part of Asset Management Committee and such Committee shall be appointed by the Municipal Manager:

- Chief Financial Officer;
- Manager: Supply Chain Management and Assets;
- Manager: Town Planning;
- Manager: Roads and Storm water;
- Manager: Electricity;
- Any other municipal official deemed necessary to serve on the Committee.

#### **6.4 Directors that serve as head of departments**

Directors (the managers directly accountable to the Municipal Manager) are responsible for the following in respect of all assets in their respective departments and shall ensure that:

- Appropriate systems of physical management and control are established and carried out for all fixed assets;
- The municipal resources assigned to them are utilized effectively, efficiently, economically and transparently;
- Procedures are adopted and implemented in conformity with this policy to produce reliable data to be captured into the municipal asset register;
- Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- The asset management system, processes and controls can provide an accurate, reliable and up to date account of assets under their control;
- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and

- Manage the asset life-cycle transactions to ensure that they comply with the plans, legislative and municipal requirements.

The Directors may delegate or otherwise assign responsibility for performing these functions but they shall remain accountable for ensuring that these activities are performed.

## 7. POLICY AMENDMENT

Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the Municipal Manager in consultation with the CFO and respective Directors. These recommendations shall be considered for adoption by Council.

## 8. RELATIONSHIP WITH OTHER POLICIES

This policy, once effective, will replace the pre-existing Asset Management Policy and must be read in conjunction with other relevant policies of the municipality, including the following adopted documents:

### 8.1 Delegations Register

Identifying the processes surrounding the establishment of delegated authority.

### 8.2 Supply chain management policy

Regulating all processes and procedures relating to acquisitions of assets

### 8.3 Budget policy

The processes to be followed in respect of the budget for capital expenditure during the budget process as well as pre-determined prioritisation methodology,

### 8.4 Books of account policy

Governing the process of updating and reconciling the Municipality's books of account.

### 8.5 Risk Management Policy

The policy promotes effective and efficient asset utilisation.

### 8.6 Trade payables policy

Setting the guidelines and the preparation and payment of suppliers from whom assets were purchased.

## 9. REFERENCES

The following legislative framework were inter alia used in compiling this document:

- Public Finance and Management Act, 1999;
- Asset Management Framework, National Treasury, 2004;

- Guidelines for Infrastructure Asset Management in Local Government, CoGTA, 2006;
- Municipal Finance Management Act, 2003;
- Disaster Management Act, 2002;
- Municipal Systems Act, 2000;
- Municipal Structures Act, 1998;
- Relevant accounting standards;
- MFMA Circulars;
- Local Government Capital Asset Management Guidelines, National Treasury, 2008;
- Government Gazettes (30013 & 31021).

## 10. POLICY FOR FIXED ASSET ACCOUNTING

### 10.1 Fixed asset recognition

#### 10.1.1 Definitions and rules

##### 10.1.1.1 Asset

An asset is defined as a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

##### 10.1.1.2 Fixed Asset

A fixed asset is an asset with an expected useful life greater than 12 months.

##### 10.1.1.3 Useful Life

Useful life is defined as the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity.

##### 10.1.1.4 Control

An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of others to that benefit, and has the ability to secure the future economic benefit of that asset.

##### 10.1.1.5 Past transactions or events

Assets are only recognised from the point when some event or transaction transferred control to an entity.

##### 10.1.1.6 Probability of the flow of benefits

The degree of certainty that any economic benefits associated with an item will flow to the municipality is based on the judgement. The Municipal Manager shall exercise such judgement on behalf of the municipality, in consultation with the CFO and respective Director.

**10.1.1.7 Economic benefits**

Economic benefits are derived from assets that generate net cash inflows.

**10.1.1.8 Tangible assets**

Tangible assets can be either movable or immovable. Moveable assets are assets that can be moved (such as machinery, equipment, vehicles and furniture). Immoveable assets are fixed structures such as buildings and roads. Plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immoveable asset (though it may be temporarily removed for repair).

**10.1.1.9 Intangible assets**

Intangible assets are defined as identifiable non-monetary assets without physical substance. Examples are licenses/rights, (such as water licenses), servitudes, and software. The assets must either be separable (able to be sold, transferred, or rented) or arise from contractual rights.

**10.1.1.10 Leased assets**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred (substance over form). Where the risks and rewards of ownership of an asset are substantially transferred, the asset in respect of that finance lease is recognised as a fixed asset. Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an operating lease and payments are expensed in the income statement on a systematic basis. (straight line basis over the lease term)

**10.1.1.11 Asset custodian**

The department that controls an asset, as well as the individual that is responsible for the operations associated with such asset in the department, is identified by the respective Director and will be responsible for the asset.

**10.1.1.12 Reliable measurement**

Items are recognised that possess a cost or fair value that can be reliably measured in terms of this policy.

**10.1.2 Policy**

The Municipality shall recognise all fixed assets existing at the time of adoption of this policy, and the development of new, upgraded and renewed fixed assets on an ongoing basis. Such assets shall be capitalised in compliance with prevailing accounting standards.

### **10.1.3 Responsibilities**

- 10.1.3.1 The Chief Financial Officer, in consultation with the Municipal Manager and Directors, shall determine effective procedures for the recognition of existing and new fixed assets.
- 10.1.3.2 Every Director shall ensure that all fixed assets under their control are correctly recognised as fixed assets.
- 10.1.3.3 Every Director shall keep and update a list of items that have a useful life of greater than one year. This list will be supplied by the Asset Management Committee;
- 10.1.3.4 The Municipal Manager shall make recommendations to the Council as to the threshold monetary value for fixed assets for which accelerated depreciation shall apply.
- 10.1.3.5 The CFO shall keep a lease register with the following minimum information: name of the lessor, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.
- 10.1.3.6 The Director or Delegated Official: Human Resources (HR) and Chief Admin Officer: Auxiliary Services should ensure that all employees complete an Asset Acceptance Form (signed by employee, Director or delegated official: HR and Chief Admin Officer: Auxiliary Services) to accept responsibility of Municipal assets under their control.
- 10.1.3.7 The Director or Delegated Official: HR and Chief Admin Officer: Auxiliary Services should ensure that all employees complete an exit form (signed by employee, Director or delegated official: HR and Chief Admin Officer: Auxiliary Services) when employment contract is terminated and ensure that all municipal assets are returned before they leave.
- 10.1.3.8 The Director or Delegated Official: HR and Chief Admin Officer: Auxiliary Services should ensure that if the employee lost or damage an asset, the amount (equivalent to carrying amount of the lost or damaged asset at date the asset was lost or damaged) is recovered from employee's salary.
- 10.1.3.9 In the instance of failure to recover the value of the lost or damaged asset from the official, the amount (equivalent to carrying amount of the lost asset, at date the asset was lost) should be recovered from Director or Delegated Official: HR and Chief Admin Officer: Auxiliary Services.

## **10.2 Classification of Fixed Assets**

### **10.2.1 Definitions and rules**

#### **10.2.1.1 Fixed asset categories**

Fixed assets are grouped for accounting purposes, as follows:

- Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations, that is shown as a single item for the purposes of disclosure in the financial statements);
- Intangible assets;
- Investment property.

#### 10.2.1.2 Property, plant and equipment (PPE)

PPE are defined as tangible items that are held for use in the production or supply of goods or services, or for administration purposes and are expected to be used for more than one reporting period.

- Reliability of measurement

In many cases the cost or value of an asset must be estimated; the use of a reasonable estimate is essential. Where a reasonable estimate cannot be made the asset should not be recognised.

- Spares

Major spare parts are recognised as an item of PPE immediately when they are available for use (eg. in the stores). Dedicated spares (spares that can only be used for specific assets or purpose such as transformers) are also recognised as PPE regardless of value.

- Classes of PPE

A class of PPE is defined as a group of assets of a similar nature or function in the municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

- PPE: Infrastructure

Infrastructure assets are immovable assets which are part of a network of similar assets and are specialised in nature.

- PPE: Community assets

Community assets are immovable assets contributing to the general well-being of the community, such as community halls.

- PPE: Heritage assets

Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and works of art. The municipality is not required to recognise assets as heritage assets where they would otherwise meet the criteria for PPE (for example a historic building being used as office accommodation).

- PPE: Other assets

Other assets are ordinary operational assets such as land, administration buildings, vehicles equipment as well as furniture and fittings.

- PPE: Housing

Rental stock or housing not held for capital gain. This only applies to staff housing.

#### 10.2.1.3 Intangible assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Examples are licenses/rights, (such as water licenses), servitudes, and computer software.

#### 10.2.1.4 Investment property

Investment property is defined as property (land and/or a building) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations). Examples of investment property are office parks, shopping centres or housing financed and managed by a municipality (or jointly with other parties). Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

In the case of a fixed asset not appearing in the adopted classification structure, a classification that is most closely comparable to the asset in question is used.

#### 10.2.2 Policy

The following categories and sub-categories shall be used at the highest level of the fixed asset classification structure:

| Accounting Group              | Asset Category   | Asset Sub-category              |
|-------------------------------|------------------|---------------------------------|
| Property, plant and equipment | Infrastructure   | Electricity network             |
|                               |                  | Road and storm-water network    |
|                               |                  | Water supply network            |
|                               |                  | Sanitation network              |
|                               | Community Assets | Community facilities            |
|                               |                  | Sport and recreation facilities |
|                               | Heritage assets  | Monuments                       |
|                               |                  | Historic buildings              |
|                               |                  | Works of art                    |
|                               |                  | Conservation areas              |
|                               | Other assets     | Operational buildings           |
|                               |                  | Vehicles                        |
|                               |                  | Operational plant and equipment |
|                               |                  | Office equipment                |
|                               |                  | Furniture and fittings          |
|                               |                  | Computer equipment              |
|                               | Staff Housing    | All housing buildings           |

|                     |   |                        |
|---------------------|---|------------------------|
|                     | Land  | Infrastructure land    |
|                     |   | Community assets' land |
|                     |   | Heritage assets' land  |
|                     |   | Other assets' land     |
|                     |   | Housing land           |
| Intangible Assets   | Servitudes  | All                    |
|                     | Statutory licenses                                    | All                    |
|                     | Software  | All                    |
| Investment property | Commercial property (market related rentals charged)  | All                    |
|                     | Residential property (market related rentals charged) | All                    |
|                     | Land with undetermined use                            | All                    |

PPE shall be disclosed in the financial statements at the sub-category level.

### **10.2.3 Responsibilities**

- The CFO shall ensure that the classification of fixed assets adopted by the Municipality complies with the relevant statutory requirements;
- The CFO shall consult with the other heads of department (Directors) responsible for fixed assets to determine an effective and appropriate asset hierarchy for each asset class.

## **10.3 Identification of Fixed Assets**

### **10.3.1 Definitions and rules**

#### **10.3.1.1 Asset coding**

An asset coding system is the means by which the Municipality is able to uniquely identify each fixed asset in order to ensure that it can be accounted for on an individual basis.

#### **10.3.1.2 Sequential asset coding**

In addition to the asset coding, the Municipality shall implement a sequential asset numbering system which will begin with the alphabets "GLM" followed by four or more numbers.

### **10.3.2 Policy**

A coding system shall be adopted and applied that will enable each fixed to be uniquely and readily identified. Each moveable fixed asset shall be marked with its respective code or number.

### **10.3.3 Responsibilities**

- 10.3.3.1 The Municipal Manager shall develop and implement a fixed asset coding and numbering system in consultation with the CFO and other Directors to meet the policy objective.
- 10.3.3.2 Directors shall ensure that all the fixed assets under their control are correctly coded.
- 10.3.3.3 Directors shall ensure that the respective asset codes are fixed to all moveable assets under their control.

## **10.4 Fixed Asset Register**

### **10.4.1 Definitions and rules**

#### **10.4.1.1 Fixed asset register**

A fixed asset register is a database of information relating to each fixed asset. The fixed asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standards for each of the asset classes, and the strategic and operational asset management needs of the municipality.

A fixed asset register should include, but not limited to: asset number, asset description, asset code, cost price, useful life, depreciation, accumulated depreciation, carrying amount, purchase date etc.

#### **10.4.1.2 Updating data in the asset register**

The updating of the fixed asset register is the responsibility of the Chief Admin Officer: Auxiliary Services or other official as delegated by the CFO. The Chief Admin Officer: Auxiliary Services or delegated official is precluded from being a custodian of any assets or be part asset acquiring process.

### **10.4.2 Policy**

A fixed asset register shall be established to provide the data required to apply the applicable accounting standards, as well as other data considered by the municipality to be necessary to support strategic asset management planning and operational management needs. The fixed asset register shall be updated and reconciled to the general ledger on a monthly basis.

### **10.4.3 Responsibilities**

- 10.4.1 The CFO shall define the format of the fixed asset register in consultation with the Municipal Manager and Directors, and shall ensure that the format complies with the prevailing accounting standards and disclosure requirements.
- 10.4.2 Directors and other responsible accounting staff shall provide the Chief Admin Officer: Auxiliary Services or delegated official with the data required to establish and update the asset register on a weekly basis.
- 10.4.3 The CFO shall establish procedures to control the completeness and integrity of the asset register data.

10.4.4 The CFO must ensure that the fixed asset register is updated by the end of each month and that it reconciles to the balances of the relevant general ledger control accounts. This reconciliation must be finalised and reviewed by the CFO by the 20<sup>th</sup> day of each calendar month.

10.4.5 The CFO shall ensure proper application of the control procedures.

## **10.5 Measurement and recognition**

### **10.5.1 Definitions and rules**

#### **10.5.1.1 Measurement at recognition of PPE**

An item of PPE that qualifies for recognition is initially measured at cost. Where an asset is acquired at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of PPE, such as recognising fixed assets for which there are no records, or records cannot be linked to specific assets, its cost is deemed to be its fair value.

#### **10.5.1.2 Fair value**

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for assets (for example land, non-specialised buildings such as offices, motor vehicles, and some types of plant and equipment). In the case of specialised buildings (such as community buildings) and infrastructure where there is no such active and liquid market, a depreciated replacement cost (DRC) approach may be used. Assessments of fair value are to be made by professionals with qualifications and appropriate knowledge and experience in valuation of the respective assets.

#### **10.5.1.3 Cost of an item of PPE**

The capitalisation value comprises (i) the purchase price and (ii) any directly attributable costs necessary to bring the asset to its location and condition necessary for it to be operating in the manner intended by the municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets - in such an instance, the municipality should capitalise the cost of the asset together with VAT).

#### **10.5.1.4 Directly attributable costs**

Directly attributable costs are defined as:

- Employee costs arising directly from the construction or acquisition of the item of PPE ;
- Costs of site preparation;
- Initial delivery and handling costs;
- Installation and assembly costs;
- Commissioning; and

- Professional fees (for example associated with design fees, supervision, and environmental impact assessments).

#### 10.5.1.5 Exchanged PPE assets

In cases where assets are exchanged, the cost is deemed to be the fair value of the acquired asset and the disposed asset is de-recognised.

#### 10.5.1.6 PPE finance leases

Once a lease is deemed to be a finance lease, the asset is capitalised at the lower of the fair value of the asset or the present value of future lease payments, using the relevant discounting rate at the date of signing of the lease agreement.

#### 10.5.1.7 Depreciated replacement cost

The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful life (RUL) of each of the asset components. The CRC is the product of a unit rate and the extent of the component and represents the cost of replacing the asset, and in cases where the existing asset is obsolete, the replacement with a modern equivalent. The depreciable portion of an asset is determined by subtracting the residual value from the CRC. The depreciated replacement cost (DRC) is established by proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life.

Accordingly, the following formula is used:

$$\text{DRC} = ((\text{CRC} - \text{RV}) \times \text{RUL}/\text{EUL}) + \text{RV}$$

Replacement costs are “green field”, unless there is evidence of definite cost variance due to “brown-field” modifications. Capital unit costs vary from site to site and provision is made for site specific influencing factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as “supply-and-demand”, economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of rates for escalation to the valuation date are applied.

#### 10.5.1.8 Self-constructed assets

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality. All assets that can be classified as fixed assets and that are constructed by the municipality should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Proper records are kept such that all costs associated with the construction of these assets are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

#### 10.5.1.9 Borrowing costs

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings; finance

charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs. Borrowing costs shall be capitalised if related to construction of a qualifying asset to get ready for its intended use or resale and external funding is sourced to fund the project.

#### 10.5.1.10 Investment property

Where available, initial recognition will take place on the cost model. Should relevant cost data not be available, a fair value determination will be made by appointing a valuer. Subsequent measurement and disclosure will be subject to an annual fair value assessment.

If the Council of the Municipality constructs or develops a property for future use as an investment property, such property shall in every respect be accounted for as PPE until it is ready for its intended use – whereafter it shall be reclassified as an investment asset.

#### 10.5.1.11 Intangible assets

An item of intangible asset acquired by the municipality is recognised at cost. Where an intangible asset is acquired at no or nominal cost (for example in the case of donated or developer-created), or reliable costs data is not available, its cost is deemed to be its fair value at the date of acquisition.

### 10.5.2 Policy

#### **Initial measurement**

Property, plant and equipment assets that qualify for recognition shall be capitalised at cost in accordance to the cost model.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the assets given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replacement part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

### **10.5.3 Responsibilities**

10.5.3.1 The CFO, in consultation with the Municipal Manager and Directors, shall determine effective procedures for the capitalisation of fixed assets on recognition.

10.5.3.2 Every Director shall ensure that all fixed assets under their control are correctly capitalised.

## **10.6 Measurement after recognition**

### **10.6.1 Definitions and rules**

#### **10.6.1.1 Options**

Accounting standards allow measurement after recognition on either a cost or revaluation model. Different models can be applied, providing the treatment is consistent per asset class.

Council approved the cost model.

#### **10.6.1.2 Statutory inspections**

The cost of a regular major statutory inspection that is required for the municipality to continue to operate an asset is recognised at the time the cost is incurred, and any previous statutory inspection cost is de-recognised.

#### **10.6.1.3 Expenses to be capitalised**

Expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of a fixed asset are capitalised. Such expenses are recognised once the municipality has beneficial use of the asset (be it new, upgraded, and/or renewed) – prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of a fixed asset that ensures that the useful operating life of the asset is attained, shall be considered as operating expenses and are not capitalised, irrespective of the quantum of the expenses concerned.

#### **10.6.1.5 Spares**

The location of major capital spares shall be amended once they are placed in service, and re-classified to the applicable PPE asset sub-category.

### **10.6.2 Policy**

Council approved the cost model. Therefore, after initial recognition, an asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

### **10.6.3 Responsibilities**

10.6.3.1 The CFO, in consultation with the Municipal Manager and Directors, shall determine effective procedures for the ongoing capitalisation of fixed assets after recognition.

10.6.3.2 Every Director shall ensure that all capital expenses associated with fixed assets under their control are correctly capitalised.

## **10.7 Depreciation**

### **10.7.1 Definition and rules**

#### **10.7.1.1 Depreciation**

Depreciation is the systematic allocation of the depreciable amount of an asset over its remaining useful life. (The amortisation of intangible assets is identical).

Land, servitudes and heritage assets are considered to have unlimited life and are not depreciated.

#### **10.7.1.2 Depreciable amount**

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

#### **10.7.1.3 Residual value**

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

The residual values of assets are indicated in Annexure A in the form of a percentage. In the case of assets measured after recognition on the cost model, the percentage is of the initial cost of acquisition.

The residual values of assets estimated to be 0%, except for Motor vehicles and other Plant and Machinery, which is 10%.

#### **10.7.1.4 Depreciation method**

Depreciation is provided using the straight-line method to write down the cost less estimated residual value over the useful life of property, plant and equipment.

#### **10.7.1.5 Remaining useful life**

The remaining useful life of a depreciable fixed asset is the time remaining until an asset ceases to provide the required standard of performance or economic usefulness.

The remaining useful life of all depreciable fixed assets at initial recognition is the same as the expected useful life indicated in Annexure A. These figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions, and operating conditions), the life-cycle strategy of the municipality, potential technical obsolescence, and any legal limits on the use of the asset. Where such are outside the guideline figures provided by National Treasury, motivation is required.

#### **10.7.1.6 Depreciation charge**

Depreciation starts once an asset is recognised and available for use and ceases when it is de-recognised or classified as non-current assets held for sale. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under usage methods of depreciation the depreciation charge can be zero while there is no production. Depreciation is initially calculated when the asset is available for

use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

**10.7.1.7 Carrying amount**

The carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

**10.7.1.8 Capital spares**

The depreciation of capital spares commences immediately when they are available in the stores. The depreciation continues once they are placed in service, or subsequently removed from service.

**10.7.2 Policy**

All fixed assets, except land, heritage assets and servitudes, shall be depreciated over their remaining useful lives. In all cases, the straight line method of depreciation shall be used. The depreciation charge for each period shall be recognised as an expense. The depreciation method, residual value and remaining useful life should be reviewed at each reporting date.

**10.7.3 Responsibilities**

10.7.3.1 Every Director shall ensure that a budgetary provision is made for the depreciation of the fixed assets under their control in the ensuing financial year, in consultation with the CFO.

10.7.3.2 Every Director shall review the expected useful life stated in Annexure A of assets that are under their control and motivate to the Municipal Manager and CFO any adjustments if, in the judgement of the Director, such are not considered appropriate. This should not happen continuously because the accounting principle of consistency would be violated.

10.7.3.3 The Chief Admin Officer: Auxiliary Services shall ensure that depreciation charges are debited on a monthly basis and that the fixed asset register is reconciled with the relevant general ledger accounts.

10.7.3.4 The CFO must review and ensure that the monthly depreciation calculations are finalised, captured in the asset register and financial system and reconciled to the relevant general ledger accounts by the 20<sup>th</sup> day of each calendar month.

**10.8 Annual assessments**

**10.8.1 Definition**

10.8.1.1 Impairment

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

#### 10.8.1.2 Indications of impairment

The Municipality must each year test assets for impairment losses if, and only if, there has been an indication of any of the following:

- external sources of information:
  - decline or cessation in demand;
  - changes in the technological, legal or government policy environment; or
- internal sources of information:
  - evidence of physical damage;
  - evidence of obsolescence;
  - construction is halted before it is usable or complete; or
  - evidence that service performance is significantly worse than expected; or
- other indications, such as loss of market value.

The Municipality must however test all intangible assets that have indefinite useful life and those not yet available for use, annually for impairment irrespective of whether there is an indication of impairment.

The Municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance must be recorded. Where there are indications of impairment, the municipality must also consider adjustment of the remaining useful life, residual value, and method of depreciation.

#### 10.8.1.3 Impairment loss

An impairment loss of a non-cash-generating unit or asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.

An impairment loss of a cash-generating unit (asset or smallest group of assets that generate cash inflows) is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price and its value in use.

#### 10.8.1.4 Non-cash-generating units

Non-cash-generating units are those assets (or group of assets) that are not held with the primary objective of generating a commercial return. This would typically apply to assets providing goods or services for community or social benefit, such as infrastructure and community facilities. Typically there will not be an active market for such assets, and in such cases the municipality may use the asset's value in use as its recoverable service amount. The value in use of a non-cash generating unit is defined as the present value of the asset's remaining service potential. This can be determined using any of the following approaches:

- the Depreciated Replacement Cost (DRC) approach (and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciated Replacement Cost (ODRC) approach may be used);
- the restoration cost approach (the Depreciated Replacement Cost less cost of restoration) – usually used in cases where there has been physical damage; or
- the service unit's approach (which could be used for example where a production units model of depreciation is used).

Where the present value of an asset's remaining service potential (determined as indicated above) exceeds the carrying value, the asset is not impaired – this will normally be the case unless there has been a significant and enduring event as indicated above.

#### 10.8.1.5 Cash-generating unit

Cash-generating units are those whose assets are held with the primary objective of generating a commercial return (in the municipal arena this would typically apply to investment property). However, when the municipality adopts the fair value model for investment property, impairment does not apply.

When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agents fees, legal costs), excluding finance costs and income tax expenses. The value in use is determined by estimating the future cash inflows and outflows from the continuing use of the asset and at the end of its useful life, including factors to reflect risk in the respective cash-flows, and the time value of money.

#### 10.8.1.6 Recognition of impairment

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

Once an asset has been impaired to such an extent that no future economic benefit is likely to flow from the asset, it is derecognised and the carrying amount of the asset at the time of derecognition, less any economic benefit from the disposal of the asset, is debited to the statement of financial performance as a "Loss on Disposal of Asset".

In the event of compensation received for damages to an item of PPE and the item is not to be repaired to its original state, the compensation is considered as the asset's ability to generate income and is disclosed under Sundry Revenue; and the asset is impaired. Should repairs be performed, the compensation is offset against the repair cost.

#### 10.8.1.7 Reversing an impairment loss

The municipality must assess each year from the sources of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increased to its recoverable amount (providing that it does not exceed the carrying amount that would have been determined had no

impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in the surplus/ (deficit).

#### **10.8.2 Policy**

Impairment of fixed assets shall be recognised as an expense in the Statement of Financial Performance when it occurs. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

#### **10.8.3 Responsibilities**

- 10.8.3.1 The CFO shall indicate a fixed annual date for the review of remaining useful life of assets under the control of the respective Directors.
- 10.8.3.2 The Directors shall review the remaining useful life of all assets under their control at the annual review date, and from time to time as a result of any events that come to their attention that may have a material effect on some or all such assets. The Director shall motivate to the CFO proposed changes to the remaining useful of such assets.
- 10.8.3.3 The Director should evaluate all the assets for impairment, taking into consideration any discussions with the Senior Accountants and Operating Managers.
- 10.8.3.4 The Chief Admin Officer: Auxiliary Services should update the fixed asset register with the information received, relating to the financial management system where the impairment journals have been processed.
- 10.8.3.5 The CFO shall report changes made to the carrying values of these assets in the asset register to the Municipal Manager and Council.

### **10.9 De-recognition**

#### **10.9.1 Definition and rules**

De-recognition

A fixed asset is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The carrying amount of an asset and the net disposal proceeds (or cost of de-commissioning and/or disposal of an asset) shall be included in the surplus or deficit when the item is derecognised.

Disposal of assets should be approved by Council and where applicable at market-related value (or auction/tender in the case of moveable assets). Section 14 of the MFMA prohibits the disposal of assets needed to provide the minimum level of basic municipal services.

A fixed asset will remain in the fixed assets register for as long as it is in physical existence or is yet to be written off.

#### **10.9.2 Policy**

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

### **10.9.3 Responsibilities**

10.9.3.1 An asset shall be written off only on the recommendation of the Director of the relevant department controlling the asset, and with the approval of the Municipal Manager.

10.9.3.2 Every Director shall report to the CFO within ten working days after financial year end on any fixed assets which such Director wishes to have written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall promptly make a submission to the Asset Management Committee with a copy to the Municipal Manager on the fixed assets to be written off. The Asset Management Committee shall consider the submission and make recommendations to the Council for adoption.

10.9.3.3 Assets that are replaced should be written off and removed from the asset register.

10.9.3.4 The Municipal Manager, in consultation with the CFO and other Directors shall formulate norms and standards from the replacement of all normal operational fixed assets.

## **10.10 Insurance of Fixed Assets**

### **10.10.1 Definition and rules**

Insurance provides selected coverage for the accidental loss of asset value.

Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury. The Municipality can however elect to insure certain infrastructure risks, though approval must be obtained from the Council.

The Municipality may elect to operate a self-insurance reserve, in which case the CFO shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the Directors concerned.

### **10.10.2 Policy**

The Municipal Manager shall ensure that material movable assets in value and substance are insured at least against destruction, fire and theft, and that all municipal buildings are insured at least against fire and allied perils. The municipality must adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster.

### **10.10.3 Responsibilities**

10.10.3.1 The Municipal Manager shall recommend to the Council, after consulting with the CFO, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality, and where applicable asset classes shall be prioritised in terms of their risk exposure and value.

10.10.3.2 In the event that the CFO is directed by Council to establish a self-insurance reserve, the CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

**11 POLICY FOR SAFEGUARDING FIXED ASSETS**

**11.1 Definitions and rules**

The Municipality applies controls and safeguards to ensure that fixed assets are protected against improper use, loss, theft, malicious damage or accidental damage.

The existence of assets is physically verified from time-to-time, and measures adopted to control their use and movement.

**11.2 Policy**

An asset safeguarding plan shall be prepared for all assets indicating measures that are considered effective to ensure that all fixed assets under control of the municipality are appropriately safeguarded from inappropriate use or loss. The impact of budgetary constraints on such measures shall be reported to Council. The existence, condition and location of assets shall be verified twice a year (in line with the assessment of impairment). No asset may be moved without the prior consent of the respective Director and notification of the CFO.

**11.3 Responsibilities**

- Each Director shall prepare and submit to the CFO, upon request, an annual asset safeguarding plan for the assets under the control of their respective departments, indicating the budget required. The CFO shall confirm the available budget, and in consultation with the respective Directors, determine the impact of any budget shortfall. The CFO shall report the impacts to the Municipal Manager for review, and advise Council. Each Director shall implement the safeguarding plan within the resources made available.
- Each Director shall report, within the time frame indicated by the CFO, the existence, condition, location and appropriate use of fixed assets under the control of their respective departments at the review date.
- The CFO shall establish procedures for the effective management of movement of assets from one location to another (both internal and external), transfers of assets from one custodian to another, and reporting damage, in consultation with the Directors.
- Directors shall enforce the application of the procedures for controlling the movement of assets as prescribed by the CFO.
- Directors shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- Malicious damage, theft, and break-ins must be reported to the Municipal Manager or delegated person within 48 hours of its occurrence or awareness by the respective Director.
- The Municipal Manager must report criminal activities to the South African Police Service.

**12. POLICY FOR LIFE-CYCLE MANAGEMENT OF PROPERTY, PLANT AND EQUIPMENT ASSETS**

## **12.1 Definitions and rules**

### **12.1.1 Service delivery**

PPE assets (such as infrastructure and community facilities) are the means by which the municipality delivers a range of essential municipal services. Consequently the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

### **12.1.2 Asset management**

The goal of asset management of PPE is to meet a required level of service, in the most cost-effective manner, through the management of assets for present and future customers. The core principles are:

- taking a life-cycle approach;
- developing cost-effective management strategies for the long-term;
- providing a defined level of service and monitoring performance;
- understanding and meeting the impact of growth through demand management and infrastructure investment;
- managing risks associated with asset failures;
- sustainable use of physical resources; and
- continuous improvement in asset management practices.

## **12.2 Policy**

The Municipality shall provide municipal services for which the municipality is responsible, at an appropriate level, and in a transparent, accountable and sustainable manner, in pursuit of legislative requirements and in support of its strategic objectives, according to the following core principles:

### **12.2.1 Effective governance**

The municipality shall strive to apply effective governance systems to provide for consistent asset management and maintenance planning in adherence to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected. To this end, the municipality shall:

- continue to adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- regularly review and update amendments to the above legislation;
- review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- effectively apply legislation for the benefit of the community.

### **12.2.2 Sustainable service delivery**

The municipality shall strive to provide to its customers services that are technically, environmentally and financially sustainable. To this end, the municipality shall:

- identify a suite of levels and standards of service that conform with statutory requirements and rules for their application based on long-term affordability to the Municipality;
- identify technical and functional performance criteria and measures, and establish a commensurate monitoring and evaluation system;
- identify current and future demand for services, and demand management strategies;
- set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew, and dispose infrastructure assets, where applicable in line with national targets;
- apply a risk management process to identify service delivery risks at asset level and appropriate responses;
- prepare and adopt a maintenance strategy and plan to support the achievement of the required performance;
- allocate budgets based on long-term financial forecasts that take cognisance of the full life-cycle needs of existing and future infrastructure assets and the risks to achieving the adopted performance targets;
- strive for alignment of the financial statements with the actual service delivery potential of the infrastructure assets; and
- implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

### **12.2.3 Social and economic development**

The Municipality shall strive to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meet the needs of the various customer user-groups in the community. To this end, the Municipality shall:

- regularly review its understanding of customer needs and expectations through effective consultation processes covering all service areas;
- implement changes to services in response to changing customer needs and expectations where appropriate;
- foster the appropriate use of services through the provision of clear and appropriate information;
- ensure services are managed to deliver the agreed levels and standards; and
- create job opportunities and promote skills development in support of the national EPWP.

#### **12.2.4 Custodianship**

The Municipality shall strive to be a responsible custodian and guardian of the community's assets for current and future generations. To this end, the Municipality shall:

- establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;
- establish appropriate development control measures including community information;
- cultivate an attitude of responsible utilisation and maintenance of its assets, in partnership with the community;
- ensure that heritage resources are identified and protected; and
- ensure that a long-term view is taken into account in infrastructure asset management decisions.

#### **12.2.5 Transparency**

The Municipality shall strive to manage its infrastructure assets in a manner that is transparent to all its customers, both now and in the future. To this end, the Municipality shall:

- develop and maintain a culture of regular consultation with the community with regard to its management of infrastructure in support of service delivery;
- clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- will make available asset management information on an onward basis; and
- continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standards.

#### **12.2.6 Cost-effectiveness and efficiency**

The Municipality shall strive to manage its infrastructure assets in an efficient and effective manner. To this end, the Municipality shall:

- assess life-cycle options for proposed new infrastructure in line with the Supply Chain Management Policy;
- regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure assets to optimise planning and implementation works;
- assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of infrastructure assets;
- continue to secure and optimally utilise governmental grants in support of the provision of free basic services;

- implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
- ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
- establish and implement demand management plans;
- timeously renew infrastructure assets based on capacity, performance, risk exposure, and cost;
- timeously dispose of infrastructure assets that are no longer in use to provide basic municipal services;
- review management and delivery capacity, and procure external support as necessary;
- establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
- strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.

### **12.3 Responsibilities**

- 12.3.1 Asset Management Committee should convene regularly and take measures to effectively implement this policy, and report to Council on progress made at a frequency indicated by Council.
- 12.3.2 Within 2 years of adoption of this policy, Directors shall develop, and update at least every 3 years thereafter, an Asset Management Plan (AMP) for each service involving fixed assets that shall assess levels and standards of service, future demand, risk, determine a lifecycle plan for a minimum 10 year planning horizon, and identify management practice improvement needs (3 year horizon). The AMPs will be submitted through the Municipal Manager to Council for adoption. AMPs shall be used to inform the preparation of a Comprehensive Municipal Infrastructure Plan and budgets through the IDP process.
- 12.3.3 The CFO shall, in consultation with Directors, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and common utilisation and which is applicable to all services. Where necessary, the Directors shall interpret the grading scales for the PPE assets under their control. Directors shall determine the grading of all PPE assets under their control at a level of accuracy considered appropriate to the municipality's resources, at least every 5 years.
- 12.3.4 Within 2 years of the adoption of this policy, Directors shall prepare, and review at least every 3 years thereafter, an Operations and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption.

12.3.5 Within 2 years of the adoption of this policy, Directors shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption. Directors shall establish a monitoring regime, and report actual performance each financial year.

12.3.6 The Municipal Manager shall establish procedures to ensure that legislative requirements regarding the management of capital assets, including but not limited to health and safety, and environmental protection, are documented and advised to Directors. Directors shall address legislative needs in their strategies and plans, and shall enforce implementation.

13. POLICY IMPLEMENTATION

Detailed implementation procedures shall be prepared and adopted by the Municipal Manager, in consultation with the CFO and Directors, to give effect to this policy.

annexure A:  
expected useful lives AND RESIDUAL VALUES OF ASSETS

**1. PROPERTY PLANT AND EQUIPMENT**

**a) Roads and storm-water**

| ASSET TYPE               | COMPONENT TYPE                                      |  | EUL      | Residual (%) |
|--------------------------|---|--|----------|--------------|
| Name                     | Name  |  |          |              |
| Pavements                | Roads and parking areas                             |  | 10 - 100 | 0            |
| Roads                    | Gravel, concrete and bituminous                     |  | 10 - 100 | 0            |
| Bridges                  | Main and low water bridges – Structure and barriers |  | 10 - 100 | 0            |
| Earthworks               | Cut and fill earthworks                             |  | 10 - 100 | 0            |
| Road drainage            | Kerbs and drains                                    |  | 10 - 100 | 0            |
| Signs and meters         | Street names, traffic signs and parking meters      |  | 5        | 0            |
| Retaining walls          | Anchored and retaining walls                        |  | 10 - 100 | 0            |
| Storm-water & Conveyance | Canal lining, culverts, gabions etc.                |  | 10 - 100 | 0            |

**b) Mechanical and electrical plant**

| ASSET TYPE       | COMPONENT TYPE           |  | EUL     | Residual (%) |
|------------------|--------------------------|--|---------|--------------|
| Name             | Name                     |  |         |              |
| Mechanical plant | Pump                     |  | 15 – 20 | 0            |
|                  | Engine                   |  | 15 – 20 | 0            |
|                  | Dozer                    |  | 15 – 20 | 0            |
|                  | Generator                |  | 15 - 20 | 0            |
|                  | Waste compactor          |  | 15 – 20 | 0            |
|                  | Weighbridge              |  | 15 – 20 | 0            |
|                  | Gas monitoring equipment |  | 15 – 20 | 0            |
|                  | Baler                    |  | 15 - 20 | 0            |
| Electrical plant | Motor                    |  | 15      | 0            |
|                  | Telemetry                |  | 15      | 0            |
|                  | Control panel            |  | 30      | 0            |
|                  | Isolator                 |  | 30      | 0            |
|                  | Power factor equipment   |  | 30      | 0            |

**c) Civil infrastructure**

| ASSET TYPE      | COMPONENT TYPE       |  | EUL      | Residual (%) |
|-----------------|----------------------|--|----------|--------------|
| Name            | Name                 |  |          |              |
| Civil Structure | Mild Steel structure |  | 10 – 100 | 0            |
|                 | Timber structure     |  | 10 – 100 | 0            |
|                 | Masonry structure    |  | 10 – 100 | 0            |
|                 | Concrete structure   |  | 10 – 100 | 0            |
|                 | Earthfill dam wall   |  | 10 - 100 | 0            |

|           |                          |          |   |
|-----------|--------------------------|----------|---|
|           | Rockfill dam wall        | 10 – 100 | 0 |
|           | Rollcrete dam wall       | 10 - 100 | 0 |
|           | Filter media             | 10 – 100 | 0 |
|           | Tank – plastic           | 10 – 100 | 0 |
|           | Tank – steel             | 10 – 100 | 0 |
|           | Tank – concrete          | 10 – 100 | 0 |
|           | Landfill lining          | 10 – 100 | 0 |
|           | Mild steel fittings      | 10 – 100 | 0 |
|           | Stainless steel fittings | 10 – 100 | 0 |
|           | Borehole well & lining   | 10 – 100 | 0 |
| Pipe-work | uPVC pipe                | 10 – 80  | 0 |
|           | Steel pipe               | 10 - 80  | 0 |
|           | HDPE pipe                | 10 - 80  | 0 |
|           | Clay                     | 10 - 80  | 0 |
|           | Concrete                 | 10 - 80  | 0 |
|           | Asbestos-cement pipe     | 10 - 80  | 0 |
|           | Sub-soil drains          | 10 - 80  | 0 |
|           | Valve                    | 10 – 80  | 0 |
|           | Hydrant                  | 10 – 80  | 0 |
|           | Meter                    | 10 – 80  | 0 |
|           | Erf connection – water   | 10 – 80  | 0 |
|           | Erf connection – sewer   | 10 - 80  | 0 |
|           | Communal Pedestal        | 10 - 80  | 0 |

**d) Electrical Infrastructure**

| ASSET TYPE    | COMPONENT TYPE            | EUL     | Residual (%) |
|---------------|---------------------------|---------|--------------|
| Name          | Name                      |         |              |
| HV Conductors | Cable                     | 20 - 50 | 0            |
|               | Pilot Cables              | 20 - 50 | 0            |
|               | HV Overhead Line          | 20 - 50 | 0            |
| HV Substation | Transformer               | 20 – 50 | 0            |
|               | VTs (voltage transformer) | 20 – 50 | 0            |
|               | CTs (current transformer) | 20 – 50 | 0            |
|               | AUX Transformer           | 20 – 50 | 0            |
|               | Transformers NEC          | 20 – 50 | 0            |
|               | Panel                     | 20 – 50 | 0            |
|               | HV Switchgear - Breakers  | 20 – 50 | 0            |
|               | HV Switchgear - Isolators | 20 – 50 | 0            |
| MV Conductors | Cable                     | 20 – 50 | 0            |
|               | Pilot Cables              | 20 – 50 | 0            |

|                              |                           |         |   |
|------------------------------|---------------------------|---------|---|
|                              | MV Overhead Line          | 20 – 50 | 0 |
| MV Substation                | Transformer               | 20 – 50 | 0 |
|                              | VTs (voltage transformer) | 20 – 50 | 0 |
|                              | CTs (current transformer) | 20 – 50 | 0 |
|                              | AUX Transformer           | 20 – 50 | 0 |
|                              | MV Switchgear - Breakers  | 20 – 50 | 0 |
|                              | MV Switchgear - Isolators | 20 – 50 | 0 |
|                              | Panel                     | 20 – 50 | 0 |
|                              | Ring Main Unit            | 20 – 50 | 0 |
| MV Switchgear                | Breakers                  | 20 – 50 | 0 |
|                              | Isolator                  | 20 – 50 | 0 |
|                              | Panel                     | 20 – 50 | 0 |
| MV Transformer               | Mini-Sub                  | 20 – 50 | 0 |
|                              | Pole Transformer          | 20 – 50 | 0 |
| LV Conductors                | LV Cable                  | 20 – 50 | 0 |
|                              | LV Overhead Lines         | 20 – 50 | 0 |
| Public Lighting              | Street Light              | 20 – 50 | 0 |
|                              | High mast                 | 20 – 50 | 0 |
| Municipal Service Connection | LV Cable                  | 20 – 50 | 0 |
|                              | LV Overhead Line          | 20 – 50 | 0 |
|                              | Electricity Meter         | 20 – 50 | 0 |

**e) Buildings**

| ASSET TYPE                       | COMPONENT TYPE          |  | EUL     | Residual (%) |
|----------------------------------|-------------------------|--|---------|--------------|
| Name                             | Name                    |  |         |              |
| Building Elements                | Air conditioning        |  | 10 - 30 | 0            |
|                                  | Electrical installation |  | 10 – 30 | 0            |
|                                  | Finishes                |  | 10 – 30 | 0            |
|                                  | Fire protection         |  | 10 – 30 | 0            |
|                                  | Fixtures & fittings     |  | 10 – 30 | 0            |
|                                  | Plumbing                |  | 10 – 30 | 0            |
|                                  | Security system         |  | 10 – 30 | 0            |
|                                  | Lifts                   |  | 10 – 30 | 0            |
|                                  | Building structure      |  | 10 – 30 | 0            |
| Service Connections<br>(on site) | Sewer connection        |  | 10 – 30 | 0            |
|                                  | Water connection        |  | 10 – 30 | 0            |
|                                  | Electricity             |  | 10 – 30 | 0            |
|                                  | VIP Latrine             |  | 10 – 30 | 0            |
|                                  | Septic tank             |  | 10 – 30 | 0            |

**f) Open spaces**

| ASSET TYPE | COMPONENT TYPE | EUL | Residual |
|------------|----------------|-----|----------|
|------------|----------------|-----|----------|

| Name                  | Name               |         | (%) |
|-----------------------|--------------------|---------|-----|
| External improvements | Perimeter wall     | 10 - 30 | 0   |
|                       | Fence – wire       | 10 – 30 | 0   |
|                       | Landscaping        | 10 – 30 | 0   |
|                       | Lawns              | 10 – 30 | 0   |
|                       | Irrigation         | 10 – 30 | 0   |
|                       | Flood lights       | 10 – 30 | 0   |
|                       | Light bollards     | 10 – 30 | 0   |
|                       | External furniture | 10 – 30 | 0   |
| Sports facilities     | Tennis court       | 10 – 30 | 0   |
|                       | Bowling green      | 10 – 30 | 0   |
|                       | Sports field       | 10 – 30 | 0   |
|                       | Swimming pool      | 10 – 30 | 0   |
|                       | Golf course        | 10 – 30 | 0   |
|                       | Stadium            | 10 – 30 | 0   |

**g) Moveable assets**

| ASSET TYPE             | COMPONENT TYPE                     | EUL     | Residual (%) |
|------------------------|------------------------------------|---------|--------------|
| Name                   | Name                               |         |              |
| Bins and containers    | Bulk refuse containers             | 10 - 15 | 0            |
| Emergency equipment    | Emergency lights                   | 5 – 15  | 0            |
|                        | Fire hoses                         | 5 – 15  | 0            |
|                        | Fire-fighting equipment            | 15      | 0            |
| Furniture and fittings | Chairs                             | 7 – 15  | 0            |
|                        | Cabinets and cupboards             | 10 – 15 | 0            |
|                        | Tables and desks                   | 10 – 15 | 0            |
| Motor vehicles         | Ambulances                         | 7 – 15  | 10           |
|                        | Fire Engines                       | 7 – 15  | 10           |
|                        | Motor cycles                       | 7 – 15  | 10           |
|                        | Ordinary motor vehicles            | 7 – 15  | 10           |
|                        | Trucks and light delivery vehicles | 7 – 15  | 10           |
|                        | Tipplers                           | 7 – 15  | 10           |
|                        | Skips                              | 7 – 15  | 10           |
|                        | Honey-suckers                      | 7 – 15  | 10           |
|                        | Rear-end loader                    | 7 – 15  | 10           |
|                        | Truck                              | 7 – 15  | 10           |
|                        | Mechanical horses                  | 7 – 15  | 10           |
|                        | Tractor-trailers                   | 7 – 15  | 10           |
|                        | Bowser                             | 7 – 15  | 10           |
| Office equipment       | Air conditioners                   | 5 – 15  | 0            |
|                        | Office machines                    | 5 – 15  | 0            |
|                        | Computer hardware                  | 5 – 15  | 0            |
| Plant and equipment    | Compressors                        | 5 – 15  | 10           |

|  |                              |  |        |    |
|--|------------------------------|--|--------|----|
|  | Filling equipment            |  | 5 – 15 | 10 |
|  | Firearms                     |  | 2 – 15 | 0  |
|  | Graders                      |  | 5 – 15 | 10 |
|  | Lawn mowers                  |  | 2 – 15 | 0  |
|  | Lathes                       |  | 2 – 15 | 10 |
|  | Radio equipment              |  | 2 – 15 | 0  |
|  | Telecommunications equipment |  | 2 – 15 | 0  |

**2. INTANGIBLE ASSETS**

| CATEGORY               | SUB-CATEGORY | EUL     |
|------------------------|--------------|---------|
| Name                   | Name         |         |
| Information technology | Software     | 3 years |



**MUNICIPAL SUPPLY CHAIN MANAGEMENT**

**POLICY**

**MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY**

**MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

TABLE OF CONTENTS

- 1. Definitions

**CHAPTER 1**

**IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

- 2. Supply chain management policy
- 3. Amendment of supply chain management policy
- 4. Delegation of supply chain management powers and duties
- 5. **Subdelegations**
- 6. **Oversight role of council**
- 7. Supply chain management units

8. Training of supply chain management officials

## **CHAPTER 2**

### **SUPPLY CHAIN MANAGEMENT SYSTEM**

9. Format of supply chain management system

#### ***Part 1: Demand management***

10. System of demand management

#### ***Part 2: Acquisition management***

11. System of acquisition management
12. Range of procurement processes
13. General preconditions for consideration of written quotations or bids
14. Lists of accredited prospective providers
15. Petty cash purchases
16. Written or verbal quotations
17. FORMAL WRITTEN PRICE QUOTATIONS
18. PROCEDURES FOR PROCURING GOODS OR SERVICES THROUGH WRITTEN OR VERBAL QUOTATIONS AND FORMAL WRITTEN PRICE QUOTATIONS
19. COMPETITIVE BIDDING PROCESS
20. Process for competitive bidding
21. Bid documentation for competitive bids
22. PUBLIC INVITATION FOR COMPETITIVE BIDS
23. Procedure for handling, opening and recording of bids
24. Negotiations with preferred bidders
25. Two-stage bidding process
26. COMMITTEE SYSTEM FOR COMPETITIVE BIDS
27. BID SPECIFICATION COMMITTEES

- 28. **Bid evaluation committees**
- 29. **Bid adjudication committees**
- 30. **Procurement of banking services**
- 31. Procurement of IT related goods or services
- 32. Procurement of goods and services under contracts secured by other organs of state
- 33. Procurement of goods necessitating special safety arrangements
- 34. **Proudly SA Campaign**
- 35. Appointment of consultants
- 36. **DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES**
- 37. Unsolicited bids
- 38. Combating of abuse of supply chain management system

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

- 39. **Logistics management**
- 40. **Disposal management**
- 41. **Risk management**
- 42. Performance management

*Part 4: Other matters*

- 43. Prohibition on awards to persons whose tax matters are not in order
- 44. Prohibition on awards to persons in the service of the state
- 45. Awards to close family members of persons in the service of the state
- 46. **Ethical standards**
- 47. Inducements, rewards, gifts and favors
- 48. **Sponsorships**
- 49. Objections and complaints
- 50. Resolution of disputes, objections, complaints and queries
- 51. **Contracts providing for compensation based on turnover**
- 52. Payment of sub-contractors or joint venture partners
- 53. Extending or varying a contract
- 54. **Sub-contracting**

## 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;
- (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 Amended PPPFA of 2017 and PPR of 2017);
- (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.

## **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 –
- (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;
- (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;**

**(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.**
- (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.**

- (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.

#### Παρτ 1: Δεμανδ μαναγεμεντ

##### 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;
  - (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.

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 R30 000 (VAT INCLUDED);
  - (C) FORMAL WRITTEN PRICE QUOTATIONS FOR PROCUREMENTS OF A TRANSACTION VALUE OVER R30 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 R30 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 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, e-tender |
| Competitive Bidding             | Over R 200 001 [VAT included] or Long Term Contracts exceeding one [1] year | Newspaper and municipal website, e-tender     |

- (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;
  - (iv) CSD MAAA 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;

(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) CSD MAAA SUPPLIER NUMBER;**

(II) MUNICIPAL RATES AND TAX PAYMENTS; AND

(d) Disallow the listing of

- (i) Any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(j) Any prospective provider whose not registered with the central supplier database with national treasury

(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/CSD**, 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;

- (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/CSD**;
- (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;
- (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 AND E-TENDER**;
- (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 (AMENDED PPPFA OF 2017 AND PPR OF 2017 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;
- (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
    - (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
- (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.;
- (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;
- (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 quotation. In instances where only one bid has been received the words "and only" shall be endorsed on such bid. **If bids are not submitted in sealed envelopes clearly labeled with the bid number and (or) description will not be considered.**
- (b) Where prices have not been inserted in all relevant spaces on the form of offer 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.

|   |
|---|
| <p><b>Note:</b> 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.</p> |
|---|

- (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. 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.
- (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 unauthorized 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 unauthorized communication has occurred may be disqualified.
- (c) After informing the Accounting Officer the Chairperson of the Bid Adjudication Committee may authorize 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.

**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**
  - (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.**
- (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.**
- (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.
- (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
  - (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.**

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 –

- (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
- (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.
- (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 –
  - (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;**
  - (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;
- (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.
- (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.**
- (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 with a pin to verify tax status.**

#### **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 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;
  - (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 favors to municipalities, officials and other role players**

- 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, favor 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 –

- (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.

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**

52. 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**

53. (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.
- (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, organization 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.

## **SUB-CONTRACTING**

### **(Amended PPPFA of 2017 and PPR of 2017)**

**54.** (a) A contractor will be allowed to sub-contract 25% of the contract value to any other enterprise that does not qualify for atleast the same number of points that the contractor qualifies for, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract listed in the **database of the municipality**

(b) A contractor will not be allowed to sub-contract more than 25% of the contract value to another enterprise that does not have equal or higher B-BBEE status level, unless the intended sub-contractor is an EME that has the capability and ability to execute the sub-contract.

(c) In relation to a designated sector, a contractor will not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

### **Commencement**

**55.** This Policy is called the “Supply Chain Management Policy of the Ephraim Mogale Local Municipality” and takes effect on the 1st July 2018

| <b>Approved/Amended</b> | <b>By</b> | <b>Date</b> | <b>Council Resolution</b> |
|-------------------------|-----------|-------------|---------------------------|
| Reviewed                | CFO, SCM  | 2018        | N/A                       |
| Approved Amended Policy | Council   | 2018        |                           |

## INVESTMENT POLICY

---

|  |       |
|--|-------|
| <u>INVESTMENT POLICY</u>               | ..... |
| <u>A. INTRODUCTION</u>                 | ..... |
| <u>B. INVESTMENT ETHICS</u>            | ..... |
| <u>C. INVESTMENT PRINCIPLES</u>        | ..... |
| <u>D. CONTROL OVER INVESTMENTS</u>     | ..... |
| <u>E. RAISING OF DEBT</u>              | ..... |
| <u>F. INTEREST ON INVESTMENTS</u>      | ..... |
| <u>G. IMPLEMENTATION OF THE POLICY</u> | ..... |

## **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
  - 4.5. **Municipal Investment regulations as published under GNR. 308 in GG 27431 dated 1 April 2005**

## **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

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**

- a. 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**

- (a) 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 registered as a **Bank according to Bank Act 94 of 1990** as approved by council from time to time.
- (b) **The Chief Financial Officer shall always take all reasonable and prudent steps consistent with the council investment policy and according to the standard of care set out in regulation 5 of investment regulations, to ensure that he or she places investment with credit worthy institutions registered as a bank according to Bank Act 94 Of 1990.**
- (c) **The Chief Financial Officer must regularly monitor the municipal investment portfolio and when appropriate liquidate an investment that no longer has the minimum acceptable credit ratings.**

### **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
- 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.

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.

**6. Portfolio Diversification**

The Chief Financial Officer must take all reasonable and prudent steps, consistent with the municipal investment policy and according to the standards of the care prescribe in regulation 5, to diversify the municipality's investment portfolio across institutions registered as a bank in terms Bank Act 94 of 1990.

**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.

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.

**2018/19 Medium Term Revenue and Expenditure Framework (MTREF)**

**Policy review**

**VIREMENT POLICY**

**Contents**

[1. Definitions](#)..... 179

|  |     |
|--|-----|
| <a href="#">The Municipality's Departments/(Votes) and Sub-Departments</a> ..... | 180 |
| <a href="#">2. OBJECTIVES</a> .....  | 181 |
| <a href="#">3. DELEGATIONS ON VIREMENTS ON CAPITAL BUDGET</a> .....              | 181 |
| <a href="#">4. DELEGATION ON VIREMENTS ON OPERATIONAL BUDGET</a> .....           | 182 |
| <a href="#">5. PRINCIPLES TO BE ADHERED TO IN THE POLICY</a> .....               | 182 |
| <a href="#">6. Authorisation of Virements</a> .....                              | 183 |
| <a href="#">7 Procedure for Virement</a> .....                                   | 183 |
| <a href="#">8. General</a> .....   |     |

## 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.

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 Management

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 results 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:
- 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**

## **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 economic 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 Local 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 Local 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 an Indigent. If the total income of all occupants is not more than an amount determined by the Council from time to time.
  - 3.2.2 Currently, this amount is deemed to be maximum income of R2800.00 per household.
- 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/ confirmation from the Ward Committee.
  - (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 shall be responsible for compiling and to administer the database for households registered in terms of this policy.
- 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 The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence 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.

#### **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; 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.

## **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.

\_\_\_\_\_  
For and on behalf of Municipality

\_\_\_\_\_  
As witness for Municipality

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## EPHRAIM MOGALE LOCAL MUNICIPALITY



**Ephraim Mogale Local Municipality**

**FUNDING AND RESERVE POLICY**

## **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.

**EPHRAIM MOGALE LOCAL MUNICIPALITY**

(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.

#### **EPHRAIM MOGALE LOCAL MUNICIPALITY**

## **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: **EPHRAIM MOGALE LOCAL MUNICIPALITY**

- (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.

**EPHRAIM MOGALE LOCAL MUNICIPALITY**

(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:

**EPHRAIM MOGALE LOCAL MUNICIPALITY**

(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.

**EPHRAIM MOGALE LOCAL MUNICIPALITY**

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. **EPHRAIM MOGALE LOCAL MUNICIPALITY**

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. **EPHRAIM MOGALE LOCAL MUNICIPALITY**

## **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* **EPHRAIM MOGALE LOCAL MUNICIPALITY**

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.



## 2018/19 Medium Term Revenue and Expenditure Framework (MTREF) Policy review

### BUDGET POLICY

---

#### Contents

|  |      |
|--|------|
| <a href="#">1. Objective</a>   | 2077 |
| <a href="#">2. Compliance with Legal Provisions</a>  | 2077 |
| <a href="#">3. Budget Steering Committee</a>   | 2077 |
| <a href="#">4. Role of Mayor</a>   | 2078 |
| <a href="#">5. Budget –Related Policies</a>  | 2079 |
| <a href="#">6. CFO Responsible for Preparation of Budget</a>                               | 2080 |
| <a href="#">7. Budget Time Schedule</a>  | 2080 |
| <a href="#">8. Budget to be Balanced</a>   | 2080 |
| <a href="#">9. Funding of Expenditure</a>  | 2081 |
| <a href="#">10. Zero -Based Budgeting</a>  | 2081 |
| <a href="#">11. Contents of Budget</a>   | 2081 |
| <a href="#">12. Capital and Operating Components</a>                                       | 282  |
| <a href="#">13. Financing of Capital Budget</a>  | 283  |
| <a href="#">14. Determination of Votes</a>   | 283  |
| <a href="#">15. Provisions for Leave and employee benefits, Bad Debts and Obsolescence</a> | 283  |
| <a href="#">16. Provision for Maintenance</a>  | 283  |
| <a href="#">17. Salaries and Allowances</a>  | 284  |
| <a href="#">18. Depreciation and Finance Charges</a>                                       | 284  |
| <a href="#">19. Indigent Relief</a>  | 284  |
| <a href="#">20. Allocations from Other Organs of State</a>                                 | 284  |
| <a href="#">21. Rates as a Source of Income</a>  | 284  |
| <a href="#">22. Impact of Rates and Tariffs</a>  | 285  |

|                            |   |     |
|----------------------------|---|-----|
| <a href="#"><u>23.</u></a> | <a href="#"><u>Determination of Growth Factors</u></a> .....  | 285 |
| <a href="#"><u>24.</u></a> | <a href="#"><u>Tabling of Annual Budget</u></a> .....   | 285 |
| <a href="#"><u>25.</u></a> | <a href="#"><u>Publication of Annual Budget</u></a> .....   | 285 |
| <a href="#"><u>26.</u></a> | <a href="#"><u>Consultations on Tabled Budgets</u></a> .....  | 285 |
| <a href="#"><u>27.</u></a> | <a href="#"><u>Approval of Annual Budget</u></a> .....  | 286 |
| <a href="#"><u>28.</u></a> | <a href="#"><u>Adjustment Budgets</u></a> .....   | 286 |
| <a href="#"><u>29.</u></a> | <a href="#"><u>SDBIP and Performance Agreements</u></a> .....   | 286 |
| <a href="#"><u>30.</u></a> | <a href="#"><u>Budget Statements, Quarterly Reports and Mid-year budget and performance assessments</u></a> ..... | 286 |
| <a href="#"><u>31.</u></a> | <a href="#"><u>Related Policies</u></a> .....   | 287 |
| <a href="#"><u>32.</u></a> | <a href="#"><u>Review of Policy</u></a> .....   | 287 |
| <a href="#"><u>33.</u></a> | <a href="#"><u>Delegations and Responsibility for Implementation</u></a> .....                                    | 287 |
| <a href="#"><u>34.</u></a> | <a href="#"><u>Commencement</u></a> .....   | 287 |

## **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 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
  - 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 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**

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:
  - 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;
  - 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;

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.
- 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**

- 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**

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:

- 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.
- 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**

**FLEET MANAGEMENT POLICY**

## CONTENTS

### 1. PURPOSE

- To regulate the management of motor vehicle fleet and/or equipment.
- To provide for the maintenance, utilization, insurance and replacement of all vehicles and equipment.
- To manage the operations of allocated and pool vehicles and related facilities.
- To ensure that requirements of all relevant legislation are complied with.
- To provide appropriate vehicle for the task, within the allocated budget at the right time and at the minimum cost to the municipality.
- To ensure proper use of logbooks is maintained.

### 2. DEFINITIONS

**“Council”** means the municipal council of the.

**“Councillor”** means a member of the Ephraim Mogale Local Municipality

**“Council vehicle”** means vehicle and plant owned or hired by the Council for any purpose related to the duties of the Municipality whether self-propelled or not.

**“Executive committee”** means executive committee constituted in terms of Section 43 of Local Government Municipal Structures Act, 1998

**“Employee”** means any person, excluding an independent contractor or any person who receives a car allowance, who is employed by and receives remuneration from the Municipality.

**“Fleet Supervisor”** means a person in the employ of Council who has been designated in writing as fleet supervisor.

**“Municipal manager”** means a person employed as Municipal Manager or acting as Municipal Manager in terms of section 82 of Local Government Municipal Structures Act, 1998.

**“Driver”** means any person using or instructed to use a vehicle or machine owned or hired by the Municipality at any time at any place for any purpose and being employed by the Municipality on a permanent or temporary basis.

**“License”** means the legally required and relevant license according to the Traffic Act for the specific vehicle or machine to be used and/or driven.

**“Permit”** means the legally required and relevant public transport permit according to the Traffic Act for the specific vehicle or machine to be used and/or driven.

**“Certificate”** means the legally required and relevant certificate required according to the Traffic Act and/or the Occupational Health and Safety Act for the specific vehicle or machine to be used and/or driven.

### **3. GENERAL**

### **PAGE**

- 3.1. Use of Municipal Vehicles
  - 3.1.1. General
  - 3.1.2. Allocation of vehicles
- 3.2. Control and authorisation of vehicles.
- 3.3. Transport of passengers and cargo
- 3.4. Traffic rules.
- 3.5. Reversing with a council vehicle.
- 3.6. Tidiness of council vehicles and advertisements.
- 3.7. Vehicle logbooks.
- 3.8. Safeguarding of council vehicles.
- 3.9. Safeguarding of vehicle keys
- 3.10. Duties of the FLEET MANAGEMENT SUPERVISOR
- 3.11. Duties of the MANAGER FLEET/SCM
- 3.12. Duties of the HEADS OF DEPARTMENTS
- 3.13. Drivers Responsibility
- 3.14. Drivers Responsibility during the use of an allocated vehicle and pool vehicles
- 3.15. Drivers Responsibility after the use of a vehicle

### **4. VEHICLE MAINTENANCE**

- 4.1. Trip check list.
- 4.2. Functions / Procedures Regarding Vehicle Maintenance.
- 4.3. Operating of council vehicles / equipment.

### **5. ACCIDENTS**

- 5.1. Reporting of vehicle accidents.
- 5.2. Insurance
- 5.3. Economic Life Assessment and Disposal

### **6. PROCEDURE REGARDING FLEET MAINTANANCE**

- 6.1. How to arrange for the repair of a vehicle.

### **7. ANNEXTURES**

- 7.1. ANNEXTURE "A" VEHICLE INVENTORY REGISTER
- 7.2. ANNEXTURE "B" TRIP AUTHORITY
- 7.3. ANNEXTURE "C" TRIP CHECK LIST
- 7.4. ANNEXTURE "D" RECORD OF OPERATOR CHANGE
- 7.5. ANNEXTURE "E" VEHICLE SUBMIT FORM
- 7.6. ANNEXTURE "F" VEHICLE ACCEPTANCE FORM

### **3. GENERAL**

#### **3.1 Use of Municipal vehicles**

##### **3.1.1 General**

- 3.1.1.1 Only officials in the Council's service who are properly authorised thereto may operate council vehicles. Apart from being properly authorised by the Municipality, a driver of municipal vehicles must be in possession of a legally valid driver's licence for the type and class of vehicle issued by a licensing authority. An official must be in possession of a valid public licence permit as well were applicable. (It is only valid if it did not expire)
- 3.1.1.2 Before being allowed to drive or use Municipal vehicles a driver must have undergone a test, which is administered by the Division of Protection Services and Licensing of the Ephraim Mogale Municipality and obtained a certificate of competency. For machinery and plant an experienced operator must also evaluate the competency.
- 3.1.1.3 Councillors are not permitted to drive Council vehicles. Notwithstanding the above, whenever an official driver is not available and it is deemed imperative for a councillor to attend a council function, meeting or any activity, such councillor may use a council vehicle only with the written approval of the Municipal Manager or an official designated by him and shall in addition to being bound by this policy, be subject to all the rules and regulations applicable to staff members regarding the use of municipal vehicles.
- 3.1.1.4 Operators of council vehicles must have their eyes tested annually. Results thereof must be submitted to the Fleet Officer/Supervisor and the Occupational Health and Safety Officer. The operator's must have a valid driver's license with him/her on the day of the eye test. The Municipality will carry the cost for the eye tests.
- 3.1.1.5 An official must have his/her driver's license available at all times when operating a council vehicle.
- 3.1.1.6 No vehicle may be used unless the requirements laid down in this policy are complied with.
- 3.1.1.6.1. The vehicles are strictly provided for official purposes and are not to be used for private or other purposes.
- 3.1.1.7 A properly completed trip authorization form, **marked Annexure B**, needs to be completed before any vehicle is released.
- 3.1.1.8 The vehicle may not be driven while under the influence of alcohol or any dependent family drug.
- 3.1.1.9 If an official's licence, regardless of the period, is declared invalid by a court of law or any other institutions, which has the authority to do so, the Head of that particular official's department must be informed immediately and the official may no longer operate a council vehicle. The same principle will apply when an official has been declared incompetent to operate a council vehicle by way of disciplinary action. The outcome must be submitted to the council, the relevant Department and the Occupational Health and Safety Officer.

##### **3.1.2 Allocation of vehicles**

- 3.1.2.1 Vehicles that have been allocated to Divisions are still controlled by fleet management supervisor.
- 3.1.2.2 Each Department Head may further allocate such vehicle to a specific employee in his/her Department. Such allocation shall be done in writing and a copy thereof be given to the Fleet Officer/supervisor.
- 3.1.2.3 An employee in charge of an allocated vehicle shall be responsible for the use and maintenance of such vehicle and may only provide the use of such vehicle to another employee with the permission of his/her Head of Department, and in possession of a properly completed trip authorization form.
- 3.1.2.4 An allocated vehicle may not be used by a Councillor, except with the approval of the Municipal Manager or an official designated by him.
- 3.1.2.5 The keys, toll gate slips, fully completed trip authorization form, pre-drive inspection sheet and petrol slips of allocated vehicles should be returned to the Fleet management Supervisor
- 3.1.2.6 The logbook of the allocated vehicle shall at all times be completed by the responsible employee using the vehicle.
- 3.1.2.7 Vehicles may be relocated to another Unit or Divisions but only with written consent of the Unit Managers involved/affected.
- 3.1.2.8 Pool vehicles are allocated on the first come first served basis by submitting a new developed vehicle request form two (2) days before the trip.

#### **3.2 Control and authorisation of vehicles**

- 3.2.1 Municipal vehicles may only be used or applied in the service of the Municipality

- 3.2.2** No vehicle is allowed out of the municipal boundary without written approval and consent of the Unit Manager/Fleet management supervisor of a particular department.
- 3.2.3** Municipal vehicles must be parked in the municipal premises at all times, except for standby purposes only, managers shall provide standby schedule to the Fleet management supervisor so that can be tracked who's in the possession of the vehicle.

**3.2.4 Fuel economy**

- 3.2.4.1** It is expected of an operator to operate a council (Municipal) vehicle “**effectively**” at all times so as to save fuel. The attitude and driving skills of an official regarding the actual operating of a vehicle determines the Council's (Municipality) monthly fuel expenditure.
- 3.2.4.2** Every month the **Fleet management Supervisor** must provide each department with a fuel deviation report, which must be investigated if it appears that fuel is utilised for reasons other than for official use. If it appears that fuel is used for other purposes other than official use, corrective action against operators must be taken. Results must be submitted to the Unit Manager of that particular Department for cognisance.
- 3.2.4.3** The tyre manufacturer's recommended tyre pressure is of utmost importance and must be checked every week while the tyres are still cold, as this ensures fuel economy. This action forms part of the Trip Checklist (see ANNEXURE “C”).

**3.2.5 Exchanging of Operators (See ANNEXURE “D”)**

- 3.2.5.1** A record sheet regarding the changing of operators of a vehicle must be completed by both operators before operating a vehicle. When operators alternate the previous and new operator must sign in column E. Section (a) [previous operator] and (b) [new operator] so as to ensure accountability for defects, which also includes inventory shortages. Trip inspection checklist should be filled every time there is exchange of drivers.

**3.3 Transport of passengers and cargo**

- 3.3.1** Persons who are not employed by council may not be transported in a council vehicle. Exception to the rule is when an official has to transport persons during the execution of his duties in case of an emergency, i.e. a patient/s in a vehicle other than an ambulances. The Finance Department must arrange emergency insurance which will be activated automatically in cases when private persons are transported in Council vehicles. Co-travelling may be arranged among officials. In any other circumstances, the Unit Managers of Department's written permission must be obtained if a non official is to be transported.
- 3.3.2** Transport of employees in the carriage of vehicles is permitted subject to the following conditions:
  - 3.3.2.1** Persons in transit may under no circumstances sit on the edge of the carriage, irrespective of whether the vehicle is moving or not.
  - 3.3.2.2** No person is permitted to remain standing on the carriage of a vehicle.
  - 3.3.2.3** Transport of persons in a carriage without proper sides is not permitted.
  - 3.3.2.4** When persons are transported in a carriage of a vehicle, no part of the body may protrude over the edges of the carriage. Persons must ascend and descend the vehicle in a proper manner and no jumping from a moving or parked vehicle is allowed.
  - 3.3.2.5** When persons as well as machinery, equipment (including tools) or any other items are transported, it must be ensured that:
    - 3.3.2.5.1.** The operator's view in the side view mirrors is not impeded.
    - 3.3.2.5.2.** When a vehicle is parked, the vehicle as well as the trailer, if a trailer is attached to the vehicle, may not move horizontally.
    - 3.3.2.5.3.** The cargo may not protrude more than 1,8m past the back, 300mm past the front and 150mm past the sides of the vehicle.
    - 3.3.2.5.4.** The load is properly secured (no loose equipment is permitted).
    - 3.3.2.5.5.** The load does not leak liquid onto soil or a road.
    - 3.3.2.5.6.** The load or material to be spread evenly over the entire surface of the trailer, and may under normal conditions not exceed less than 80kg or more than 100kg on the trailer's hook.
    - 3.3.2.5.7.** When single items are transported, the load must be placed in the front of the loading bay if possible to prevent damage to the vehicle and items when an emergency stop needs to be executed.

- 3.3.2.5.8. The load may not exceed the gross vehicle mass as indicated on the weight chart of the trailer or vehicle.
- 3.3.2.5.9. No person to be transported in the carriage of a tipper vehicle except if the loading bay is equipped with purpose made seats.
- 3.3.2.5.10. The responsibility to adhere to the above requirements or any other prescriptions pertaining to the safety of passengers lies with the operator of the vehicle.

### 3.4 Traffic Rules

- 3.4.1** At all times it is expected of an operator of a council vehicle to adhere to all traffic rules and prescriptions as contained in the Road Traffic Act, 29 of 1989, which includes goods and persons.
- 3.4.2** Any fine which might result from the violation of these rules will be the operator's responsibility to settle and not that of the Municipality.

### 3.5 Reversing with a council vehicles

When reversing a council vehicle, the following rules must be complied with:

- 3.5.1** The operator of the council vehicle must ensure that the area behind the vehicle is clear of other vehicles, equipment, people, animals, etc.
- 3.5.2** In case of a heavy vehicle, where necessary a second person must take position outside the vehicle to assist the operator by way of hand signals to enable the operator to reverse the vehicle in a proper and safe manner
- 3.5.3** Any damage or accident that may occur will be the operator's responsibility to act accordance to this policy...

### 3.6 Tidiness of Council Vehicles and advertisements

It is the operator's responsibility to ensure that council's vehicle is kept clean and tidy at all times. Except for the municipal's emblem, standard traffic decorations and Ephraim Mogale Municipality numbers, no other advertisements of any nature may be affixed to the vehicle. Permission for temporally advertisements that is no way offensive and have the objective to promote the image of the Municipality may be granted by a particular Unit Manager. The time span of a temporally advertisement may not exceed one month.

### 3.7 Vehicle Logbooks

The operator of a council vehicle is responsible for the proper completion and recording of vehicle logbooks (log sheets).

- 3.7.1** All completed log sheets must be submitted to the **Fleet management Supervisor** or Unit Manager of his/her Department at the end of every month by all operators.
- 3.7.2** If a vehicle has not been used it must still be recorded on the log sheet ("not used") and submitted to the **Fleet management Supervisor** or Unit Manager of that particular Department.
- 3.7.3** If an additional pool vehicle is used, all information must be recorded on the pro-forma form provided for this purpose and the same procedure as stated above must be followed.
- 3.7.4** All log sheets must be verified and signed by the **Fleet management Supervisor** or Manager to ensure that the information is correct, with specific reference to the relevant vote number which will be debited for the use of the vehicle.

### 3.8 Safeguarding of council vehicles

#### 3.8.1 Safeguarding of council vehicles at private residences

- 3.8.1.1 No employees shall take the Municipal vehicle to his/her home except for standby purposes.

#### 3.8.2 SAFEGUARDING OF COUNCIL'S VEHICLES DURING STANDBY AND OVER-TIME HOURS:

- 3.8.2.1 A VEHICLE MUST BE PARKED IN A SAFE PLACE AND AS CLOSE AS POSSIBLE TO THE WORKING POINT TO ENABLE STANDBY PEOPLE TO KEEP AN EYE ON THE VEHICLE AT ALL TIMES IF POSSIBLE WHILE WORK IS IN PROGRESS.
- 3.8.2.2 WHEN A VEHICLE IS TO BE LEFT ALONE FOR INSTANCE IN A BUSHY AREA DURING AN INSPECTION, THE OPERATOR MUST LOCK ALL DOORS AND ACTIVATE THE VEHICLE'S IMMOBILIZER AND/ALARM.

- 3.8.2.3 WHEN THE OPERATOR EXITS THE VEHICLE, HE/SHE MUST SWITCH OFF THE VEHICLE AND REMOVE THE KEYS FROM THE IGNITION KEY EVEN THOUGH WHEN HE/SHE WANTS TO OPEN A GATE TO DRIVE THROUGH.
- 3.8.2.4 WHEN THE OPERATOR IS NOT OCCUPYING THE VEHICLE, HE/SHE MUST KEEP THE IGNITION KEY ON HIS/HER PERSON WITHOUT THE POSSIBILITY OF LOSING IT.
- 3.8.2.5 **NO VEHICLE MAY BE LEFT WITH THE ENGINE RUNNING IF THE DRIVER IS NOT IN THE VEHICLE.**

### 3.8.3 SAFEGUARDING OF COUNCIL'S VEHICLES DURING A BREAKDOWN:

WHEN A VEHICLE BREAKS DOWN THE FOLLOWING PROCEDURES MUST BE ADHERE TO.

- 3.8.3.1 THE OFFICIAL MUST PARK OR PUSH THE VEHICLE OFF THE ROAD TO A SAFE PLACE.
- 3.8.3.2 HE/SHE MUST IMMEDIATELY INFORM THE FLEET SUPERVISOR AND THE SENIOR MECHANIC DEPARTMENT OF THE BREAK DOWN AND INDICATE WHERE THE VEHICLE IS PARKED AND IF POSSIBLE EXPLAIN THE CAUSE OF THE PROBLEM.
- 3.8.3.3 THE VEHICLE MUST UNDER NO CIRCUMSTANCES BE LEFT ALONE AT ANY GIVEN TIME.
- 3.8.3.4 IF THERE IS NO RADIO RECEPTION OR TELEPHONE SIGNAL, THE OFFICIAL MUST LOCK THE VEHICLE, ACTIVATE THE IMMOBILIZER AND/ALARM AND WALK TO THE NEAREST TELEPHONE OR POSITION WHERE RADIO RECEPTION OR TELEPHONE SIGNAL IS POSSIBLE. HE/SHE MUST THEN INFORM THE TRAFFIC AND EMERGENCY DEPARTMENT OF THE SITUATION. AFTER POSITIVE REACTION, HE/SHE MUST RETURN IMMEDIATELY TO THE VEHICLE AND WAIT UNTIL HELP ARRIVES
- 3.8.3.5 IF THE VEHICLE CAN NOT BE REPAIRED AT THE PLACE WHERE IT BROKE DOWN, THE VEHICLE MUST BE TOWED TO THE EPHRAIM MOGALE MUNICIPALITY OFFICES OR WORKSHOP. WHEN IT IS NOT POSSIBLE, THE VEHICLE MUST BE TOWED TO THE NEAREST POLICE STATION OR PLACE OF SAFETY.

## 3.9 SAFEGUARDING OF VEHICLE KEYS

- 3.9.1 If a vehicle is not being used, the keys must be removed from the vehicle and handed to the **Fleet management Supervisor** or Unit Manager of that operator's particular Department. The **Fleet management Supervisor** or Unit Manager will lock the keys away in a lockable key cabinet. The vehicles' spare keys are the responsibility of the **Fleet management Supervisor** or Unit Manager.
- 3.9.2 When a vehicle overnights in a department's yard or storage site, the keys must be removed and handed in to that Storage Site/Yard's Supervisor. A register must be kept for the issuing and receiving of keys by the Storage Site/Yard's Supervisor.

## 3.10 DUTIES OF THE FLEET MANAGEMENT SUPERVISOR.

- 3.10.1 Compile the following registers and update them as scheduled:
  - 3.10.1.1 Register of approved drivers/operators/users of Municipal vehicles with expiry dates of their licenses.
  - 3.10.1.2 Register of public driver permits with expiry dates
  - 3.10.1.3 Register of vehicle license renewal dates
  - 3.10.1.4 Register of annual road worthy tests certification and expiry dates
  - 3.10.1.5 Register of vehicle service schedules.
  - 3.10.1.6 Register of eye tests.
  - 3.10.1.7 Register of license disc issue with proof.
  - 3.10.1.8 Register of accidents and incidents
  - 3.10.1.9 Register of Fleet Cards issued and returned.
  - 3.10.1.10 Register of tracking units and driver tokens where applicable

### **3.10.2 ENSURE TIMELY PAYMENT OF LICENSE FEES**

- 3.10.3** Ensure timely testing and certification for vehicles exceeding 3 500kg GVM for their annual roadworthy testing.
- 3.10.4** Inform Senior Mechanic and relevant Divisional Manager in writing at least 14 days before a license or roadworthy certificate is due.
- 3.10.5** Ensure that all accidents/damage reports are on the system and where applicable assist drivers in compiling Insurance claim forms.
- 3.10.6** Forward all insurance claims to the Finance Department
- 3.10.7** Ensure that vehicles are kept in a roadworthy condition by bi-monthly basic inspections and arrangement of tests. (Driver of other units testing each others vehicles?)
- 3.10.8** Inspect the vehicles at least bi-monthly to ensure that they are kept in a usable state and tidy and make monthly report on the state of municipal vehicles.
- 3.10.9** Reconcile expenditure and kilometres travelled by different departments and submit a report together with petrol slips, tollgate slips and other relevant invoices to the Department of Finance within 5 working days after the end of each month.
- 3.10.10** Ensure that all Council vehicles have the Council name and logo affixed on each side.

### **3.10.11 ENSURE THAT ALL COUNCIL VEHICLES ARE REGULARLY SERVICED, AND SERVICE SCHEDULES ARE KEPT IN THE VEHICLES**

- 3.10.12** Implement the job card system correctly by:
  - 3.10.12.1** Allowing drivers and supervisors to complete the first (white) page of the job card book.
  - 3.10.12.2** Signing the first page (white) and giving it to the driver supervisor who complained.
  - 3.10.12.3** Do a thorough inspection based on the complaint received and filling in the required work to be done on the second (yellow) page – first section.
  - 3.10.12.4** Do a thorough inspection on the whole vehicle and focusing on repairs, roadworthiness and preventative maintenance. All work required must then be filled in on the second (yellow) page – second section.
  - 3.10.12.5** Sign the yellow page below section 2 to verify that the work is really necessary.
  - 3.10.12.6** Fax the second (yellow) page to the Fleet management Service provider.
  - 3.10.12.7** The Fleet Management service provider will then instruct the Fleet officer where to take the vehicle for the repairs requested.
  - 3.10.12.8** After the repairs have been done the mechanic must inspect the vehicle and verify that all the work requested have been done and must sign the second (yellow) page to confirm this.
  - 3.10.12.9** The mechanic must contact the driver /supervisor who lodged the complaint and he/she must then inspect the vehicle to confirm that the problem reported have been corrected and that the vehicle is roadworthy.
  - 3.10.12.10** The mechanic must let the driver/supervisor sign the second (yellow) page and must give this page to the driver supervisor.
- 3.10.13** The mechanic may open a job card for any vehicle after a routine inspection if necessary and will request the supervisor or driver to sign the job card so that they can be informed that he/she inspected the vehicle.
- 3.10.14** Receive reports on lost /stolen/damaged cards from Divisional Managers only and request new cards and file reports on official filing system.
- 3.10.15** The fleet officer will do routine checks on vehicles on the tracking system and may require the relevant documentation relevant to the inspection from the Unit Manager. Failure to provide the necessary documentation will lead to further investigation and possible disciplinary action.
- 3.10.16** The monthly violation/deviation report from the tracking system and/or fleet system received or generated by the Fleet management supervisor will be tabled by the Fleet Manager at the management meeting and will also be circulated to Unit Managers for comment before being presented.

## **3.11 DUTIES OF THE MANAGER FLEET**

- 3.11.1** Receive the electronic reports from the Fleet Management service provider and distribute to all units.
- 3.11.2** Investigate any complaints and/or irregularities reported.
- 3.11.3** Supervise the Fleet Management Supervisor.
- 3.11.4** Propose changes to the policy, procedures and implementation of all Fleet Management related issues.
- 3.11.5** Approve expenditure on fleet maintenance when requested by the Fleet Management Service provider after ensuring availability of funding
- 3.12.1** Keep track of expenditure and budgets to ensure economical and effective use of the funds and to prevent over-expenditure.

- 3.12.2** Ensure that the vehicles assigned or used by employees in their respective departments are used in accordance with this policy and relevant legislation and should take necessary measures to control deviations.
- 3.12.3** Must collect the fuel purchase and repair invoices and attach it to each vehicles expenditure report provided by the Fleet management Supervisor. This must be checked to ensure that it corresponds and must then be submitted to finance after being signed.

### **3.13 DRIVER'S RESPONSIBILITY**

- 3.14.1** Each driver shall be charged with the following responsibilities, before a vehicle is used. Should a driver use a vehicle before the execution of these responsibilities, it will be accepted that the driver is responsible for any damage on the vehicle as if he/she caused the damage.
- 3.14.2** All administrative procedures as described in 3 above need to be completed before a vehicle can be used.
- 3.14.3** A driver will be fully responsible for the vehicle during the period he/she uses the vehicle.
- 3.14.4** The driver will pick-up the vehicle in the under-cover parking bays at municipal building.
- 3.14.5** The driver will carry out an inspection on the vehicle, and complete an inspection sheet marked **Annexure .....** before using the vehicle. The following activities shall be undertaken as pre-drive inspection:
  - Ensure that the current odometer reading and the required information has been entered in the log book,
  - Ensure that the vehicle has sufficient fuel for the journey and tyre condition and pressures are correct,
  - Check for any oil and water leaks
  - Check/top up engine oil and cooling system water
  - Check brake, clutch and accelerator pedal travel
  - Check all lights, direction indicators, horn, wipers, washers, spare
  - wheel, jack and tools,
  - Check steering action,
  - Check for any damage to bodywork, mirrors, windscreen and window glass,
  - Check that vehicle's licence is current,
  - Check fire protection equipment and hazard triangle,
  - Start the engine and check oil pressure and whether general warning lights are operating within specification,
  - Check that interior and exterior of the vehicle is clean and in good state of repair,
  - Check water and oil,
  - Ensure that any load is secured so as to limit damage and ensure safety,
  - Ensure that staff being transported complies with the relevant traffic legislation.
- 3.14.6** No vehicle shall be operated unless the driver has in his/her possession the vehicle logbook in which must be recorded:
  - 3.14.6.1** The exact nature of the trip;
  - 3.14.6.2** Starting time and date;
  - 3.14.6.3** Place of origin and destination;
  - 3.14.6.4** Passengers/load carried
- 3.14.7** The driver must hand the trip authorization form and pre-drive inspection sheet to the Security Guard at the gate before he/she will be allowed to remove the vehicle from the parking area.
- 3.14.8** Details of each journey are to be entered on the log book.
- 3.14.9** Completed log books must be forwarded to the Fleet Management Supervisor within 2 working days after each month end

### **3.15 DRIVERS' RESPONSIBILITY DURING THE USE OF ALLOCATED VEHICLE AND POOL VEHICLES**

- 3.15.1** Council vehicles will only be used for official purposes.
- 3.15.2** No passengers, other than officials and Councillors on duty should be transported in or on council vehicles, unless prior permission has been obtained from the Municipal Manager or a person designated by him and an indemnity form (marked Annexure .....), has been completed and signed.
- 3.15.3** Passengers are not allowed on the back of light delivery vehicles (LDVs).
- 3.15.4** A driver will ensure that he/she is in a mentally and physically healthy condition before driving.
- 3.15.5** A driver shall adhere to all traffic rules and regulations stipulated in legislation.
- 3.15.6** Should a driver contravene any traffic rule or regulation and receive a fine for such contravention, he/she shall be responsible for payment of such a fine. Should a driver wish to defend such a charge brought against him/her, he/she will do so in his/her personal capacity. Should a driver fail to pay a fine or fail to appear in court

and summons is served on the municipality as owner of the vehicle, the Municipality will deduct such amount from the driver's earnings and institute disciplinary proceedings against the employee.

- 3.15.7** Should an employee/councillor utilize a vehicle for purposes other than official purposes, the necessary disciplinary procedures will be instituted.

### **3.16 DRIVER'S RESPONSIBILITY AFTER USE OF A VEHICLE**

- 3.16.1** After the use of a vehicle, such vehicle shall be parked in its allocated undercover parking at the Municipal building. This applies even if a vehicle is used for more than once a day and such vehicle may under no circumstances be parked on the street or anywhere other than in its allocated parking
- 3.16.2** The closing speedometer reading and kilometres travelled are entered on the trip authorization form.
- 3.16.3** Once parked, the driver shall ensure that the logbook is completed properly.
- 3.16.4** The driver shall ensure that the vehicle is in a clean and tidy condition. If the vehicle got dirty while in use, the driver must arrange for it to be cleaned by car washers used by council.
- 3.16.5** The driver will ensure that the vehicle is locked properly and should the vehicle have a removable radio/radio cover, he/she shall remove the same and give it to the Fleet Management Supervisor for safe keeping.
- 3.16.6** The driver must enter the odometer reading and trip kilometre reading on the log book, and lock the vehicle (all doors and boot) and ensure that the fuel tank is at least half full.
- 3.16.7** The driver shall undertake a visual post-inspection of the vehicle to ensure that no dents, scrape marks, cracked windows, worn-out tyres, etc. appear. In the event of any visible damage, the driver shall endorse the inspection sheet accordingly and shall immediately submit a written report in that regard to his/her Head of Department and Fleet Management Supervisor.
- 3.16.8** The driver shall return the keys, petrol card, toll gate slips, fully completed trip authorization form, pre-drive inspection sheet and petrol slips to the Fleet Management Supervisor and report verbally and in writing any observations or defaults.
- 3.16.9** All verbal reports should be recorded in the register of defaults.
- 3.16.10** Formal reports should be submitted to the fleet manager within 12 hours.
- 3.16.11** Should a vehicle be returned after office hours, the keys, logbook, petrol card, toll gate slips, fully completed trip authorization form, pre-drive inspection sheet and petrol slips should be left with the Security Guard on duty

## **4. VEHICLE MAINTENANCE**

### **4.1 Trip Check list**

- 4.1.1** The vehicle issue register number must be verified by the relevant operator on a daily basis. A vehicle inventory register and inventory number are issued to a specific Ephraim Mogale Municipal vehicle and may not be removed from the vehicle. (See ANNEXURE A). If it is found that the inventory number has been lost or became unreadable, it must be reported to the asset officer and arrangements be made to re-issue or replaced the asset number immediately.
- 4.1.2** It is the responsibility of every operator to complete a trip authority form (see ANNEXURE B) as well as a trip check list (see ANNEXURE C) before a trip commence.
- 4.1.3** The Official (now called the **Fleet management Supervisor**), appointed by Council (Ephraim Mogale LM) or Municipal Manager to supervise the Municipal's fleet, undertakes to conduct random-checks from time to time to determine whether the trip authority forms and trip check lists are completed regularly and thoroughly. Any deviations will be reported to the relevant Unit Manager and the Unit Manager must without any unnecessary delay institute corrective action against transgressors.

### **4.2 Functions / Procedures regarding vehicle maintenance.**

- 4.2.1** When there is a defect on a vehicle, irrespective whether it affects the roadworthiness of the vehicle or not, it must be recorded on ANNEXURE "E". When the operator collects the vehicle after the repairs have been executed, and he/she agrees that the vehicle has been repaired to his/her satisfaction, the operator must complete ANNEXURE "F". If the operator is not satisfied with the workmanship or repairs done, he/she must inform the **senior mechanic** as soon as possible to enable the **Fleet management Supervisor** to take steps to address the situation.

### **4.3 Operating of vehicles / equipment**

- 4.3.1** All council vehicles, including any fixed equipment on vehicles e.g. cranes, power sources, pumps, etc., may under no circumstances be handled in such a manner that could result in excessive wear and tear or breakage

of the equipment or decreasing in durability. No person may use crane equipment or any crane vehicle without the necessary permission and proper training.

## 5. ACCIDENTS

All accidents, incidents, damages or loss to council vehicles, irrespective of how slight it might be, must be reported to your Manager and the **Fleet management Supervisor in writing** within 24 hours. Even when a vehicle was involved in an accident and no damage is visible, the incident must still be reported and an accident or incident dossier must be opened.

### 5.1 Reporting of vehicle accidents

All vehicle accidents or damages to vehicles, irrespective of how slight the damage might be, must be reported in the following manner:

- 5.1.1 Any official involved in an accident will immediately inform the Traffic Department before the vehicle is removed from the accident scene.
- 5.1.2 The traffic officer shall be responsible for the recording of the accident. The accident report must include the statement of the operator. Immediately after the above actions have been concluded, the operator of the vehicle shall take the vehicle within 24 hours to the **Fleet Management Supervisor** to determine the extent of the damage.
- 5.1.3 The **Fleet Management Supervisor** and operator of the vehicle will record the accident at the nearest police station in an accident register. The operator must sign the statement and a copy of the statement must be handed to the **Fleet management Supervisor**
- 5.1.4 The vehicle operator in co-operation with the **Fleet management Supervisor** will be responsible to obtain quotations for the repair of the vehicle.
- 5.1.5 The relevant department must inform the official responsible for the Occupational Health and Safety in the Municipality.
- 5.1.6 The driver/operator will report to the Chief Expenditure Officer, Finance Department, with the accident reference number and his/her ID document within 24 hours.
- 5.1.7 The Finance Department will complete the accident and insurance reports and submit it to the insurers.
- 5.1.8 The Vehicle **Fleet management Supervisor** will send the vehicle for repairs after an approved order has been received from the Finance Department.

#### NOTES:

- All newly acquired vehicles must be insured immediately after delivery to the Municipality.
- All newly acquired vehicles must be registered and licensed before they may be used.
- All newly acquired vehicles must be registered on the asset register immediately after delivery to the Municipality.

### 5.2 Insurance

- 5.2.1 The Fleet Management Supervisor needs to ensure that any new vehicle purchased is recorded in the financial books of account (assets register) and is covered by the council's insurance policy. Each year the vehicles' values should be determined in order for the insurance broker to make the necessary premium adjustments. No council vehicle should be allowed on the road unless it is adequately insured.
- 5.2.2 If a driver is found to be negligent during the time the accident happened, or to have committed any forbidden act, he/she may be held liable to pay the excess costs or the total cost of the damage, depending on the seriousness of the action or be charged with negligent use of Council property.

### 5.3 Economic Life Assessments and Disposal

- 5.3.1 Economic life assessments should be performed in order to determine the economic service life expectancy of vehicles and plant under their specific operating conditions. The resale and trade-in values should also be taken into consideration as well as the ever-increasing new vehicle and plant costs.
- 5.3.2 In terms of generally accepted municipal accounting practices (GAMAP), vehicle and plant assets are required to be depreciated over their respective life expectancies. The Chief Financial Officer must ensure that vehicle and plant assets are depreciated annually and have their appropriate values entered in the asset register.
- 5.3.3 Vehicles and plant will be scrapped when they become redundant or get beyond economical repair.
- 5.3.4 A vehicle with engine capacity of 1300cc to 1800cc should be disposed at 150 000 kilometres and a vehicle with engine capacity of 2000cc and above should be scrapped at 180 000 kilometres. However before a decision to dispose the vehicle is taken proper technical evaluation should be done to determine whether the vehicle can still be used.

**5.3.5** The following should be taken into account during the disposal process:

- The necessity of the vehicle or plant and its effect on services which are rendered.
- The service history of the vehicle or plant
- The appropriate norms to be complied with before the vehicle or plant can be replaced or scrapped.
- Disposal should be done according to the Council's Supply Chain Management Policy and the Council should receive maximum benefit from the disposal process.

**6. PROCEDURE REGARDING FLEET MAINTENANCE**

- Fleet cards will be issued to the Driver as and when required by the Fleet Management Supervisor and be returned to him immediately after refuelling.
- Lost or stolen cards must be reported immediately as this can lead to fraud and puts the Municipality at risk.

**6.1. How to arrange for the repair of a vehicle:**

- Report the problem/fault to the Senior Mechanic in writing on the prescribed job card book at the Mechanical Workshop.
- Make sure all the information is complete especially the time and date
- Take the first (white) page with you as proof that you did report the fault or problem.
- The mechanic will inspect the vehicle and will list all faults and problems and fill it in on the second page completely as an instruction to the service provider.
- The Senior Mechanic will then submit the completed job cards to the Fleet Management Supervisor.
- The fleet Management Supervisor with consultation, will then appoint a service providers.(This should be done on rotational basis)
- The fleet Management Supervisor will then return the job card with the name of the service provider to the Senior Mechanic.
- The senior mechanic will then take the vehicle/tractor/grader /TLB to the appointed Service provider.
- The service provider will then send (fax or email) the quotation to ABSA managed maintenance who will then approve and give permission to the Service provider to continue.
- When the work has been completed the mechanic and the Driver/Operator or Supervisor will inspect the work according to their instruction and collect the vehicle if satisfied.
- Before you take the vehicle verify that the fault/problem have been corrected to your satisfaction.
- If you are satisfied then sign the job card in the book.
- The ABSA managed maintenance can authorize work or repairs and that up to R8000 after which approval must be by the Manager Fleet/SCM
- This excludes fuel, oil, toll gate fees, and license fees but includes puncher repairs.
- The driver of a vehicle must ensure that the vehicle he drives is having a valid license. If the license is about to expire within the next two months the driver report it either to the Fleet Supervisor at the Workshop.
- The Fleet supervisor will analyse and provide fleet monthly reports.
- Drivers must ensure that the vehicle they use is in a roadworthy condition with adequate fuel for the trip before they leave. This includes checking the lights even in the daytime.

**ANNEXURE “A”**

**VEHICLE INVENTORY REGISTER**

VEHICLE REGISTER NUMBER \_\_\_\_\_ INVENTORY NUM. \_\_\_\_\_

VEHICLE TYPE \_\_\_\_\_

LICENCE CODE \_\_\_\_\_

***VEHICLE INVENTORY***

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_
- 5. \_\_\_\_\_
- 6. \_\_\_\_\_
- 7. \_\_\_\_\_
- 8. \_\_\_\_\_
- 9. \_\_\_\_\_
- 10. \_\_\_\_\_
- 11. \_\_\_\_\_
- 12. \_\_\_\_\_
- 13. \_\_\_\_\_
- 14. \_\_\_\_\_

**DEPARTMENT ALLOCATION** \_\_\_\_\_

**RESPONSIBLE OPERATOR** \_\_\_\_\_

\_\_\_\_\_  
**SUPERVISOR**

\_\_\_\_\_  
**SIGNATURE**

\_\_\_\_\_  
**OPERATOR**

\_\_\_\_\_  
**SIGNATURE**

**ANNEXURE “B”**

**TRIP AUTHORITY**

Valid from..... to ..... Number of passengers .....

Driver ..... ID Number .....

Vehicle description ..... Vehicle Registration number .....

Odometer reading:

Depart / Begin ..... Return / Einde .....

From ..... to .....

Reason / Purpose of trip:

.....  
.....  
.....

Authorised passengers:

**Name:** **Designation:**

- 1.
- 2.
- 3.
- 4.
- 5.

Approved by ..... Date .....

Designation ..... Signature .....





## EPHRAIM MOGALE LOCAL MUNICIPALITY

### VEHICLE CHECKLIST.

**DRIVER'S NAME:** ..... **DATE:** .....

**VEHICLE MAKE:** ..... **REG. NO.** .....

**TIME:** ..... **MILEAGE:** .....

I am aware of the Fleet Management Policy and Procedures and will adhere to all conditions.

| ACCESSORIES   | GOOD | FAIR | BAD | REMARKS |
|---|------|------|-----|---------|
| • Unendorsed Driver's License.  |      |      |     |         |
| • Radio fitted or supplied.   |      |      |     |         |
| • Petrol level [full tank / $\frac{3}{4}$ / $\frac{1}{4}$ / $\frac{1}{2}$ ] |      |      |     |         |
| • Oil level checked.  |      |      |     |         |
| • Spare wheel, Jack and Spanners.   |      |      |     |         |
| • Windscreen.   |      |      |     |         |
| • Dents.  |      |      |     |         |
| • Mirrors.  |      |      |     |         |
| • Oil or water leaks.   |      |      |     |         |
| • Rubber mats.  |      |      |     |         |
| • Check License Disk for validity and write down expiry date.               |      |      |     |         |
| • Check fuel cap for security.  |      |      |     |         |
| • Log Book issued.  |      |      |     |         |
| • Parking Disk.   |      |      |     |         |
| • Battery condition.  |      |      |     |         |
| • Brake lights, indicators & head lights.                                   |      |      |     |         |
| • Wiper blades.   |      |      |     |         |
| • Interior & Exterior Clean   |      |      |     |         |
| • Windows Operational.  |      |      |     |         |
| • Fire Extinguisher.  |      |      |     |         |

## ANNEXURE “D”

### RECORD WHEN CHANGING OF OPERATORS

This record when the changing of operators takes place must be completed before operating a vehicle. Both the (a) previous operator and (b) the new operator must sign the record of operator change sheet in column E in order to obtain accountability.

| VEHICLE RECEIVED BY |           | DATE<br>RECEIVED | DISTANCE /<br>HOUR<br>READING | INDICATION<br>ON FUEL IN<br>TANK | DESCRIPTION OF DEFECTS<br>DURING OPERATOR<br>CHANGE | E  |
|---------------------|-----------|------------------|-------------------------------|----------------------------------|---|----|
| NAME<br>PRINTED     | SIGANTURE |                  |                               |                                  |   |    |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |
|                     |           |                  |                               |                                  |   | b. |
|                     |           |                  |                               |                                  |   | a. |

|  |  |  |  |  |  |    |
|--|--|--|--|--|--|----|
|  |  |  |  |  |  | b. |
|--|--|--|--|--|--|----|

ANNEXURE “E”

**VEHICLE SUBMIT FORM**

Job Card No: .....

Vehicle Registration Number ..... Fleet Number .....

Division / Section ..... Vote Number .....

Problem / Complaint:

.....  
.....  
.....  
.....

Name ..... Signature ..... Date .....  
(Operator)

IME .....

Name ..... Signature ..... Date .....  
(Supervisor)

IME .....

**IMPORTANT NOTICE**

**PLEASE REMOVE ALL VALUBLES FROM THE VEHICLE**

**THE DRIVER MUST ENSURE THAT THE VEHICLE IS ROADWORTHY BEFORE USING IT**

**THE MACANIC TO REPAIR FAULTS AND REPLACE FAULTY PARTS ONLY**

**ACCESSORIES, EQUIPMENT AND YRES REMAIN THE RESPONCIBILITY OF THE DRIVER**

**PLEASE ENSURE THAT THE VEICLE IS PROPERLY REPAIRED BEFORE ACCEPTING IT**

**TOOLS AND EQUIPMENT MUST BE LOCKED AWAY OR REMOVED BEFORE REPAIR WORK**

ANNEXURE “F”

**VEHICLE ACCEPTANCE FORM**

Job Card No: .....

Vehicle Registration Number ..... Fleet Number .....

Division / Section ..... Vote Number .....

Problem / Complaint:

.....

.....

.....

Name ..... Signature ..... Date .....  
(Operator)

IME .....

Name ..... Signature ..... Date .....  
(Supervisor)

IME .....

**SERVICE PROVIDER**

Name ..... Signature ..... Date .....

Instruction:

Time

**TOTAL** .....

Name ..... Signature ..... Date .....

**FINAL INSPECTION**

Name ..... Signature ..... Date .....

I HEREBY ACCEPT THE VEHICLE THE WORKSHOP AND HAVE SATISFIED MYSELF THAT IT IS IN A ROADWORTHY AND SERVICEBLE CONDITION AND THAT  
THE PROBLEM / FAULT THAT WAS REPORTED HAVE BEEN REPAIRED

Name ..... Signature ..... Date .....



**EPHRAIM MOGALE LOCAL MUNICIPALITY**

**VEHICLE REQUISITION FORM**

**Note:**

This is not a  
approval; it is  
secure a  
your  
trip

**Request**  
**submitted at**  
**before the**  
Emergency  
treated as  
NB: Failing  
an

trip  
only to  
vehicle for  
approved

**should be**  
**least 2 days**  
**trip**  
will be  
such.  
to plan is not  
emergency

Department/Section requesting:.....

Name of employee:.....

Signature of the requesting employees .....

**DATES**

From.....

To.....

**PURPOSE AND PLACE FOR THE TRIP**

From.....

To.....

Reason for the Trip.....

**RECOMMEND/NOT RECOMMEND**

**Remarks:**.....

.....

.....

.....

HoD / Manager of requesting dept.

.....

Date

**APPROVAL/DISAPPROVAL OF THE VEHICLE**

.....

.....

.....

.....

Fleet Supervisor / Manager

.....

Date



**Ephraim Mogale Local Municipality**

|                                    |  |
|------------------------------------|--|
| <u>DOCUMENT</u><br><u>APPROVAL</u> |  |
| Responsible<br>Person:             |  |
|                                    |  |
| Date approved:                     |  |

# APPOINTMENT OF CONSULTANTS POLICY

**APPROVED BY COUNCIL:**  
**DATE OF IMPLIMENTATION:**

## **Table of Contents**

|     |  |    |
|-----|--|----|
| 1.  | BACKGROUND .....                                   | 3  |
| 2.  | INTRODUCTION .....                                 | 3  |
| 3.  | DEFINITIONS .....                                  | 4  |
| 4.  | OBJECTIVE .....                                    | 4  |
| 5.  | SCOPE OF APPLICATION .....                         | 4  |
| 6.  | LEGISLATIVE FRAMEWORK .....                        | 4  |
| 7.  | POLICY .....                                       | 5  |
| 8.  | REQUEST FOR BIDS (RFB) .....                       | 8  |
| 9.  | TRAINING OR TRANSFER OF KNOWLEDGE AND SKILLS ..... | 13 |
| 10. | EMPLOYMENT CONTRACT OR AGREEMENT .....             | 14 |
| 11. | TERMS AND CONDITIONS .....                         | 14 |
| 12. | REMUNERATION OF CONSULTANTS .....                  | 14 |
| 13. | MANAGEMENT REPORTING .....                         | 14 |
| 14. | COMMENCEMENT .....                                 | 15 |

## 1. BACKGROUND

The Supply Chain Management Policy of Council and the Municipal Supply Chain Management Regulations, promulgated in the Government Gazette number 27636 on the 30<sup>th</sup> May 2005, regulate the appointment of Consultants. Consultants may be procured taking into consideration the Treasury guidelines when such appointments are made. (Section 35 of the Municipal Supply Chain Management Regulations.)

To align the South African public Sector procurement system with international best practices, the following procedures should be followed for selecting, contracting and monitoring consultants required for projects:-

## 2 INTRODUCTION

The purpose of this section is to explain the procedures for selecting, contracting, and monitoring consultants required for projects. Only the peculiarities of appointing consultants are dealt with herein, as the services to which these procedures apply are of an intellectual and advisory nature. These procedures do not apply to general services such as construction works, manufacture of goods, operation and maintenance of facilities or plants, surveys, exploratory drilling, aerial photography, satellite imagery, catering, cleaning and security in which the physical aspects of the activity predominate.

- 2.1 The appointment of Transaction Advisors as defined in Government Gazette number 27431 of 01 April 2005 – Municipal Public-Private Partnerships Regulations, who are to be appointed by institutions to render advice in relation to Public-Private Partnerships, should be performed in terms of the practice note issued by the National Treasury specifically for that purpose.
- 2.2 For the purpose of this policy, the term *consultant* includes, among others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, auditors, other multinational organizations, investment and merchant banks, universities, research agencies, government agencies, non-governmental organizations (NGOs) and individuals.
- 2.3 Accounting officers may use these organizations as *consultants* to assist in a wide range of activities such as policy advice, accounting officer's reform management, engineering services, construction supervision, financial services, procurement services, social and environmental studies and identification, preparation and implementation of projects to complement the accounting officers' capabilities in these areas.
- 2.4 Consultants should only be engaged when the necessary skills and/or resources to perform a project/duty/study are not available and the accounting officer cannot be reasonably expected either to train or to recruit people in the time available.

### 3. DEFINITIONS

For the purposes of this policy the following definitions apply:

|                                 |  |
|---------------------------------|--|
| <b>Accounting Officer:</b>      | The Municipal Manager or his delegate.   |
| <b>Budget:</b>                  | The appropriated funds in terms of section 15 of the MFMA.   |
| <b>Chief Financial Officer:</b> | A person designated in terms of section 80 (2)(a) of the MFMA.   |
| <b>Consultant:</b>              | An external person or organization that provides a service to the municipality in those areas, where the municipality lacks the required specialized skills or capacity. |
| <b>Lack of capacity:</b>        | Insufficient physical resources within the Municipality with relevant knowledge, expertise and experience that may not exist within the Municipality.                    |
| <b>MFMA:</b>                    | Municipal Finance Management Act no 56 of 2000   |
| <b>Municipality:</b>            | Ephraim Mogale Local Municipality  |

### 4. OBJECTIVE

To give a framework on the appointment of consultants, to ensure that consultants are remunerated within a regulated environment that is fair and equitable, thereby the value added to the Municipality.

### 5. SCOPE OF APPLICATION

This document informs departmental officials of the Municipality on the appointment of consultants

### 6. LEGISLATIVE FRAMEWORK

The Municipality's operations are governed by an array of different acts and this policy should be implemented within that context. Acts and Circulars applicable included:

- Municipal Finance Management Act - Act 56 of 2003
- Supply Chain Management Regulations- GG 27636 30 May 2005
- Preferential Procurement Policy Framework Act – Act 5 of 2000 as amended
- National Treasury MFMA Circulars

## **7. POLICY**

### **7.1 APPOINTMENT OF CONSULTANTS**

All appointment of consultants shall be in writing, recommended by the manager of a department and approved by the Accounting Officer.

Responsible managers may recommend the appointment of consultants to render specific services, should they be of the opinion that the department lacks the required skills or necessary capacity and those funds are available within the approved council budgets.

The responsible manager will be responsible to prepare the Terms of Reference and submission to the Accounting Officer for competitive process purposes.

### **7.2 PRIMARY REASONS FOR APPOINTMENT OF CONSULTANTS**

- (a) To provide specialized services for limited periods without any obligation of permanent employment;
- (b) To benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing and assignment; and
- (c) To provide independent advise on the most suitable approaches, methodologies and solutions of projects

### **7.3 APPLICABILITY OF PROCEDURES**

The procedures outlined herein apply to all contracts for consulting services in procuring consulting services; the accounting officer should satisfy himself/herself that:

- (a) The procedures to be used will result in the selection of consultants who have the necessary professional qualifications’;
- (b) The selected consultants will carry out the assignment in accordance with the agreed schedule; and
- (c) The scope of the services in consistent with the needs of the project.

### **7.4 MINIMUM REQUIREMENTS WHEN APPOINTING CONSULTANTS**

- (a) Meeting the highest standards of quality and efficiency;
- (b) Obtaining advice that is unbiased, that is being delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflict between the consultants interest and those of the municipality;

and

- (c) Ensuring the advice proposed or assignment executed, meeting the ethical principles of the consultancy profession's.

## **7.5 GENERAL APPROACH**

The four major considerations guiding the Accounting Officer on the selection includes:

- (a) The need for high-quality services;
- (b) The need for economy efficiency;
- (c) The need to give qualified consultants an opportunity to compete in providing the services; and
- (d) The importance of transparency in the selection process.

## **7.6 CONFLICT OF INTEREST**

Consultants are requested to provide professional, objective and impartial advice and that all times holds the client's interest paramount, without consideration for future work and strictly avoids conflicts with other assignments or their own corporate interests.

Consultants should not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the municipality. Without limitation on the generality of this rule, consultants should not be hired under the following circumstances;

- (a) A firm, which has been engaged by the accounting officer to provide goods or works for a project and any of its affiliates, should be disqualified from providing consulting services for the same project. Similar, a firm hired to provide consulting services for the preparation or implementation of a project and any Otis affiliates should be disqualified from subsequently providing goods or works or services related to the initial assignment.
- (b) Consultant or any of their affiliates should not be hired for any assignment which, by its nature, may conflict with another assignment of the consultants. Example, consultants hired to prepare an engineering design for an infrastructure project should not be engaged to prepare an independent environmental assessment for the same projects. Neither assisting a client in the privatization of public assets should neither purchase nor advice purchasers of such assets.

## 7.7 ASSOCIATION BETWEEN CONSULTANTS

Consultants may associate with each other or complement their respective areas of expertise, or for other reasons. Such an association may be for long term assignment (independent of any particular assignment) or for a specific assignment. The association may take the form of a joint venture and all parties involved must sign the contract that they are jointly and separately liable for the entire assignments.

## 7.8 SELECTION METHODS FOR THE APPOINTMENT OF CONSULTANTS

- (a) Quality and Cost based selection;
- (b) Quality based selection;
- (c) Selection under a fixed budget;
- (d) Least cost selection;
- (e) Single source selection;

The diagram below assist users of consultants to choose the appropriate method of selection:

| Characteristics of Assignment  | Method to be selected                |
|--|--------------------------------------|
| An assignment that is not complex or Specialized.  | Use Quality and Cost Based Selection |
| A complex or high specialized assignment for which consultants are expected to demonstrate innovation in their proposals (e.g. financial sector reforms).  | Use Quality Based Selection          |
| An assignment that has a high downstream impact and requires the best available experts (e.g. management studies of large government agencies).  | Use Quality Based Selection          |
| An assignment that could be carried out in substantially different ways, hence proposals will not be comparable (e.g. sector and policy studies in which the value of the services depends on the quality of the analysis. | Use Quality Based Selection          |

|   |  |
|---|--|
| A simple assignment, which is precisely defined and the budget fixed.                                     | Use selection under a fixed budget, but evaluate technical proposals first as in Quality Based Selection |
| A standard or routine assignment (e.g. an audit, engineering design of non-complex works)                 | Use Least-Cost Selection   |
| A very small assignment which does not justify the preparation and evaluation of competitive proposal     | Selection Based on Consultants' Qualifications, can be obtained from the list of panel.                  |
| An assignment where only one firm is qualified or has experience of exceptional worth for the assignment. | Use Single Source Selection  |
| A task that represents a natural continuation of previous work carried out by the firm.                   | Use Single Source Selection  |
| Any other situation   | Use Quality and Cost Based Selection, either by requesting a BID or PROPOSAL.                            |

## 8. REQUEST FOR BIDS (RFB)

### 8.1 Preparation of the Terms of Reference (TOR)

The scope of the services described should be compatible with the available budget.

The TOR should define clearly the task directive (methodology), objectives, goals and scope of the assignment and provide background information, including a list of existing relevant studies and basic data, to facilitate the consultants' preparation of their bids.

Time frames linked to various tasks should be specified, as well as the frequency of monitoring actions. The respective responsibilities of the accounting officer and the consultant should be clearly defined.

The evaluation criteria, their respective weights, the minimum qualifying score for functionality and the values that will be applied for evaluation should be clearly indicated. The evaluation criteria should include at least the following:

- Consultant's experience relevant to assignment;
- The quality of the methodology;
- The qualifications of key personnel; and
- The transfer of knowledge (where applicable).

In more complicated projects, provision may also be made for pre-bid briefing sessions or presentations by bidders as part of the evaluation process.

Preference point system in terms of the PPPFA and its associated Regulations will be applicable.

If transfer of knowledge or training is an objective, it should be specifically outlined along with details of number of staff to be trained, etc. To enable consultants to estimate the required resources. The TOR should list the services and surveys necessary to carry out the assignment and the expected outputs (for example reports, data, maps, surveys, etc.), where applicable.

Evaluation criteria could be divided into sub criteria. Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked.

The TOR should specify the validity period (Normally 60 – 90 days).

The TOR should form part of the standard bid documentation to be approved by the Bid Specification committee.

## **8.2 Quality-Based Selection (QBS)**

QBS is appropriate for the following types of assignments:

Complex or highly specialized assignments for which it is difficult to define precise TOR's and the required input from the consultants and for which the client expects the consultants to demonstrate innovation in their proposals,

Assignments that have a high downstream impact and in which the objective is to have the best experts, and

Assignments that can be carried out in substantially different ways, such that proposals will not be comparable.

In QBS, it may be necessary to request submission of a technical proposal only (without the financial proposal), or request submission of both technical and financial proposals at the same time, but in separate Envelopes (two-envelope system).

The RFB should not disclose the estimated budget, but it may provide the estimated number of key staff time, specifying that this information is given as an indication only and that consultants are free to propose their own Estimates. If technical proposals alone were invited, after evaluating the technical proposals using the same methodology as in QCBS, and request the consultant with the highest ranked technical proposal to submit a detailed financial proposal.

The accounting officer and the consultant should then negotiate the financial proposal and the Contract. All other aspects of the selection process should be identical to those of QCBS. If, however, consultants were requested to provide financial proposals initially together with the technical proposals, safeguards should be built in to ensure that the price envelope of only the selected proposal is opened and the rest returned unopened, after the negotiations are successfully concluded.

### **8.3 Selection under a fixed budget**

This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFB should indicate the available budget and request the consultants to provide their best Technical and financial proposals in separate envelopes, within the Budget.

The TOR should be particularly well prepared to ensure that the budget is sufficient for the expected tasks. Evaluation of all technical proposals should be carried out first as in the QCBS method, where after the price envelopes should be opened in Public. Proposals that exceed the Indicated budget should be rejected. The consultant who has submitted the highest ranked technical proposal should be selected and invited to negotiate a contract.

### **8.4 Least-cost selection**

This method is more appropriate to selection of consultants for assignments of a standard or routine nature (audits, engineering design of non-complex works, and so forth) where well-established practices and standards exist and in which the contract amount is small. Under this method, a minimum qualifying mark for the functionality is established. Proposals to be submitted in two envelopes are invited. Technical envelopes are opened first and evaluated. Those securing less than the minimum mark should be rejected and the financial envelopes of the rest are opened in public. The firm with the highest points should then be selected.

Under this method, the qualifying minimum mark should be established, keeping in view that all proposals above the minimum compete only on price and profile as set out in the PPPFA. The minimum mark to qualify should be stated in the RFB.

### **8.5 Selection based on consultant's qualifications**

This method may be used for very small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the accounting officer should prepare the TOR, request expressions of interest and information on the consultants' experience and competence relevant to the assignment and select the firm with the most appropriate qualifications and references. The selected firm should be requested to submit a combined technical-financial proposal and then be invited to negotiate the contract.

## 8.6 Single-source selection

Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost and lacks transparency in selection and could encourage unacceptable practices. Therefore, single-source selection should be used only in exceptional cases. The justification for single-source selection should be examined in the context of the overall interests of the client and the project.

Single-source selection may be appropriate only if it presents a clear advantage over competition:

- For tasks that represent a natural continuation of previous work carried out by the firm;
- Where a rapid selection is essential (for example, in an emergency operation);
- For very small assignments; or
- When only one firm is qualified or has experience of exceptional worth for the assignment.

The reasons for a single-source selection should be recorded and approved by the accounting officer prior to the conclusion of a contract.

When continuity for downstream work is essential, the initial RFB should outline this prospect and if practical, the factors used for the selection of the consultant should take the likelihood of continuation into account. Continuity in the technical approach, experience acquired and continued professional liability of the same consultant may make continuation with the initial consultant preferable to a new competition, subject to satisfactory performance in the initial assignment. For such downstream assignments, the initially selected consultant should be asked to prepare technical and financial proposals on the basis of TOR which should then be negotiated.

If the initial assignment was not awarded on a competitive basis or was awarded under tied financing or if the downstream assignment is substantially larger in value, a competitive process acceptable to the accounting officer should normally be followed in which the consultant carrying out the initial work is not excluded from consideration if it expresses interest.

Where, in exceptional instances, it is impractical to appoint the required consultants through a competitive bidding process and a South African based consultant is used, the Guidelines on Hourly Fee Rates for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs, or to determine the reasonableness of the tariffs.

## **8.7 Selection of individual consultants**

Individual consultants may normally be employed on assignments for which:

Teams of personnel are not required;

No additional outside (home office) professional support is required; and

The experience and qualifications of the individual are the paramount requirement.

When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.

Individual consultants should be selected on the basis of their qualifications for the assignment. They may be selected on the basis of references or through comparison of qualifications among those expressing interest in the assignment or approached directly by the accounting officer / authority. Individuals employed by the accounting officer / authority should meet all relevant qualifications and should be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience and as appropriate, knowledge of the local conditions, such as local language, culture, administrative system and government organization.

From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict of interest provisions described in these guidelines should apply to the parent firm.

## **8.8 Selection of particular types of consultants**

### Use of Non-governmental Organizations consultants (NGOs).

NGOs are voluntary non-profit organizations that may be uniquely qualified to assist in the preparation, management, and implementation of projects, essentially because of their involvement and knowledge of local issues, community needs, and/or participatory approaches. NGO's may be included in the short list if they express interest and provided that the accounting officer is satisfied with their qualifications. For assignments that emphasize participation and considerable local knowledge, the short list may be entirely NGO's. If so, the QCBS procedure should be followed and the evaluation criteria should reflect the unique qualifications of NGOs, such as voluntarism, non-profit status, local knowledge, scale of operation, and reputation. An accounting officer may select the NGO on a single-source basis, provided the criteria outlined for single source selection are fulfilled.

### Inspection Agents.

Accounting officers / authorities may wish to employ inspection agencies to inspect and certify goods prior to shipment or on arrival in the country. The inspection by such agencies usually covers the quality and quantity of the goods concerned and reasonableness of price. Inspection agencies should be registered with the South African National Accreditation System (SANAS) and the services of these inspection agents should be obtained by means of competitive bidding.

Banks. Investment and commercial banks, financial firms, and fund managers hired by accounting officers / authorities for the sale of assets, issuance of financial instruments and other corporate financial transactions, notably in the context of privatization operations, should be selected under QCBS. The RFP should specify selection criteria relevant to the activity — for example, experience in similar assignments or network of potential purchasers and the cost of the services. In addition to the conventional remuneration (called a retainer fee), the compensation includes a success fee.

This fee can be fixed, but is usually expressed as a percentage of the value of the assets or other financial instruments to be sold. The RFP should indicate that the cost evaluation will take into account the success fee, either in combination with the retainer fee or alone. If alone, a standard retainer fee should be prescribed for all short-listed consultants and indicated in the RFP, and the financial scores should be based on the success fee as a percentage of a pre-disclosed notional value of the assets. For the combined evaluation (notably for large contracts), cost may be accorded a weight higher or the selection may be based on cost alone among those who secure a minimum passing mark for the quality of the proposal. The RFP should specify clearly how proposals will be presented and how they will be compared.

### Auditors.

Auditors typically carry out auditing tasks under well-defined TOR and professional standards. They should be selected according to QCBS. When consultants are appointed to execute an audit function on behalf of the accounting officer / authority, the tariffs agreed by the Auditor-General and the South African Institute for Chartered Accountants (SAICA) may be used as a guideline to determine the appropriate tariff or to determine the reasonableness of the tariffs. These tariffs can be obtained from SAICA's website under [www.saica.co.za](http://www.saica.co.za). The tariffs are captured in a circular issued by SAICA.

## **9. TRAINING OR TRANSFER OF KNOWLEDGE AND SKILLS**

If the assignment includes an important component for training or transfer of knowledge and skills, the terms of reference should indicate the objectives, nature, scope and goals of the training program, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for training program should be included in the consultant's contract and the budget for the assignment.

## **10. EMPLOYMENT CONTRACT OR AGREEMENT**

- (a) All appointments shall be by means of a written contract or agreement, between the Municipality and Consultant concerned.
- (b) The Accounting Officer or Delegated Official shall sign as the duly appointed representative of Council.
- (c) The Council may approve the extension through section 116 of the MFMA provided:
  - Sufficient funds are available;
  - The extension is required as a result of additional operational requirements;
  - The original terms of reference have not been deviated from; and
  - Delivery has been satisfactory and in accordance with the terms of reference.

## **11. TERMS AND CONDITIONS**

Written contracts or agreements shall, as a minimum, contain the following:

- (a) Defined deliverables;
- (b) The mechanism allowing for the frequent monitoring of progress in terms of the agreed objectives;
- (c) The period of employment ;
- (d) The terms and conditions in terms of a specific regulation, code or collective agreement or tender/bid;
- (e) The notice period required by either side to terminate the contract;
- (f) The rates agreed upon;
- (g) The frequency of payments; and
- (h) The method of payment.

## **12. REMUNERATION OF CONSULTANTS**

The remuneration of a consultant appointed on contract shall be:

- (a) Where the consultant belongs to a professional body, the rate of remuneration as stipulated by that body; and
- (b) In any other case, the rate stipulated as per competitive process.

## **13. MANAGEMENT REPORTING**

Annual Reporting:

Payments paid to consultants during the financial year shall be disclosed as per note in the Annual Financial Statements and the Annual report.

#### **14. COMMENCEMENT**

This policy takes effect on the date on which it is adopted by the council.



# Ephraim Mogale Local Municipality

## Unclaimed Deposits Policy

### TABLE OF CONTENTS

|   |   |
|---|---|
| 1. DEFINITIONS.....                         | 3 |
| 2. INTRODUCTION .....                       | 4 |
| 3. OBJECTIVES OF THE POLICY.....            | 4 |
| 4. BACKGROUND .....                         | 4 |
| 5. LEGISLATIVE FRAMEWORK.....               | 6 |
| 6. IDENTIFICATION OF UNCLAIMED MONIES ..... | 6 |

|  |   |
|--|---|
| 7. REGISTER OF UNCLAIMED MONEY .....                 | 6 |
| 8. UNCLAIMED MONEY TO BE PAID AS PUBLIC REVENUE..... | 7 |
| 9. REVIEW.....                                       | 7 |
| 10. SHORT TITLE .....                                | 8 |

## 1. DEFINITIONS

"*Council*" means a municipal Council established in terms of section 18 of the Municipal Structures Act and referred to in section 157(1) of the Constitution.

"*Creditor* ' means a person to whom money is owed to by the municipality.

"*Customer* ' means any person comprising:

- a) resident of the municipality;
- b) ratepayer of the municipality;
- c) any civic organization involved in the municipality; and/or
- d) any visitor or other people who make use of services or facilities provided by the municipality.

"*primary bank account* ' means a bank account referred to in section 8(1) of the Municipal Finance Management Act.

"*Register* ' means the official register kept to receipt all unclaimed deposits.

"*Municipality* " means the *Ephraim Mogale Local Municipality* established in terms of section 155 of the Constitution.

"*Unallocated deposits* " means deposits made by consumers which remains unallocated to the consumer's account due to lack of proper references or documentation.

## **2. INTRODUCTION**

Unclaimed monies are a challenge faced by the municipality where monies are deposited into the municipal primary bank account or payable which cannot be identified nor are claimed by any creditor of the municipality. Monies are unclaimed for various reasons and commonly arise amongst other things from the following:

- Monies deposited into the municipal primary bank account without any reference or documentary proof.
- Amounts/deposits payable to consumers or creditors which were either not claimed or banked.
- Creditors/consumers are unaware of their legal right to the monies.
- Creditors/consumers direct deposits are untraceable.
- Deposits paid for utilization of facilities not claimed by THE customer.

## **3. OBJECTIVES OF THE POLICY**

The objectives of the policy are:

- To provide a framework on how to deal with unknown or unclaimed monies in the municipal bank account(S).
- To reduce the liability of the municipality.
- To provide guidelines to identify unknown monies in the municipal bank accounts.
- To provide guidance on accounting treatment of long unclaimed funds

## **4. BACKGROUND**

Ephraim Mogale Local Municipality renders municipal services and consumers pay their accounts either at the cashiers, electronic transfer or over the counter deposits at banks, the Post Office.

When services are paid over, some consumers do not fill in their account numbers (reference) for easy identification and do not document their contact details. As a result the municipality has difficulties in allocating those deposits to relevant consumer accounts. During billing the following transactions are processed correctly.

Dr Debtors (Consumer account)  
Cr Revenue (Services)

When consumers pay their accounts without filling in the correct reference numbers the following is processed in the municipality's records, after Three (3) months of concerted effort by the Municipality to locate the depositor's details.

Dr Bank (Money received)  
Cr Unknown deposits (cannot be traced)

The result is that the municipality has unknown deposits increasing as well as the outstanding consumer accounts, i.e. an increasing number of consumers is in arrears although they have paid. This means our debtors are overstated together with creditors/liabilities. The municipality normally requests the bank to provide the additional information to allocate the amounts. Usually the municipality still can't allocate the money and most of the money has been in the unknown/ unallocated deposits account for a long time.

**Deposits that remain unallocated and not claimed within a three year period of time will be written off to accumulated surplus because of the following;**

- GRAP 1 (Presentation of Financial Statements) par. 21 states that financial statements shall present fairly the financial position, financial performance and cash flow of an entity. Fair presentation requires the faithful representation of the effect of transactions, other events and conditions in accordance with the **definitions and recognition criteria** for assets, liabilities, revenue and expenses set out in the framework for the preparation and presentation of financial statements.

Therefore the definition of liability should be applied to ensure that the policy is consistent with the reporting framework for the municipality

*Liabilities* are present obligations of the municipality arising from past events, the settlement of which is expected to result in an outflow from the municipality resources embodying economic benefits or service potential;

☐ ☐ In this case municipality will either refund the consumers or allocate the amount to consumer account which will result in decrease in debtors (Assets)

*Recognition criteria* state that it should be probable that economic benefit will flow out of the municipality.

☐ ☐ The municipality has determined that based on past experience and based on good practice that deposits over a period of five year won't be queried by the consumers or be refunded.

## 5. LEGISLATIVE FRAMEWORK

Local Government Municipal Finance Act, Act 56 of 2003 and Standards of Generally Recognized Accounting Practice.

## 6. IDENTIFICATION OF UNCLAIMED MONIES

- An unclaimed direct deposit is any amount of money legally paid into the municipal primary bank account without any reference or documentary proof on how the monies should be allocated and that remains unclaimed or unallocated for a period exceeding Three years.

- Such deposits will be transferred to the accumulated surplus or deficits in the municipality's financial records.
- An unclaimed deposit is any amount of money legally paid by a customer as security for municipal services for the use of facilities which are not claimed within a period of three (3) months after they are due.
- Unclaimed monies are any amount of money legally payable to a creditor and that are not claimed or banked within a period of three (3) months.

## **7. REGISTER OF UNCLAIMED MONEY**

- After all reasonable processes are exhausted to identify the unallocated monies and the period as mentioned in paragraph 4 of Three years has expired all unclaimed monies will be compiled. (In the vote for suspense accounts).
- The register will be maintained and updated regularly and be kept for a period of Three years.
- After the unclaimed monies are deposited in the register any person can claim the monies within a period of Three (3) years from the date the monies were deposited or become unclaimed subject to that documentary proof is provided by the cashier to claim the monies.
- Money which is over Three (3) years will be written off based on this policy and amount written off will form part of reporting to council on annual basis.
- Bi-annually the municipality must run an advert in the local newspaper requesting consumers to come and claim their funds which should run for not less than 30 business days.

## **8. UNCLAIMED MONEY TO BE PAID AS PUBLIC REVENUE**

The following procedure will be followed prior to write off of unclaimed deposits:

- Should unclaimed monies not be claimed within a period of Three (3) years the monies will be written off from the register to accumulated surplus.
- The following process must be followed before any monies are receipted in accumulated surplus:
  - The register will be advertised in the media in terms of section 21A of the Systems Act, Act 32 of 2000 that it will lie open for public inspection.
  - Such register must lie open for a period of a months
  - The register will be made available for inspection at the main municipal buildings.
  - The prescribed form must be completed with documentary proof should any monies be claimed by a customer or creditor.

- After a month period a report will be submitted to Council on the unclaimed monies to be written off from the register and be transfer to accumulated surplus.

## **9. REVIEW**

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation, reporting framework and the operating requirements of the municipality

## **10. SHORT TITLE**

This policy shall be called the Unclaimed Deposits Policy of the Ephraim Mogale Local Municipality.