ANNEXURE ‘’F’’

KOUGA MUNICIPALITY



BORROWING POLICY

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1. Introduction

1.1 Purpose

In terms of Section 19 of the Municipal Finance Management Act (Act no. 56 of 2003), municipalities are allowed to spend money on capital projects, subject to certain requirements, and incur long term debt for these capital projects in accordance with and subject to any applicable provisions of Section 46 and 47 of this Act. It is for these reasons that a Borrowing Policy has been developed in accordance with a framework that may be prescribed by the Minister of Finance, acting with the concurrence of the Cabinet member responsible for local government.

1.2 Scope of the policy

This policy applies to the Kouga Municipality (hereafter referred to as the Municipality).

1.3 Objectives

The objectives of the Borrowing Policy of the Municipality are as follows:

- To comply with the legislative requirements;
- To ensure that funding sources are managed efficiently and effectively;
- Ensuring that adequate financial ratios are maintained at all times, for the management of cash flows; and
- To ensure that external funding is received from reputable service providers

1.4 Definitions

The following definitions are applied in this document:

Act	Means the Municipal Finance Management Act, No 56 of 2003 and includes Sections 46 and 47 of the Act.
Council	Means the Council of the Kouga Municipality.
GRAP	Means the statements of Generally Recognised Accounting Practice that details the accounting treatment of Statement of Financial Position and Statement of Financial Performance items.
Lead debt arranger (also debt initiator or debt negotiator)	Means a person appointed by the Kouga Municipality to make arrangements for debt within the financial markets by way of loans or bonds.
Borrowing	Means funding that will be repaid to a financial service provider over more than one year.
MTREF	Means the Medium Term Revenue and Expenditure Framework which is assessed annually, reviewing the budget over a range of multiple years.
Municipality	Means the Kouga Municipality (KM).
Policy	Means the borrowing policy.

2. Legislation

Section 230 (A) of the Constitution provides the following:

1) A Municipal Council may, in accordance with national legislation—

(a) raise loans for capital or current expenditure for the municipality, but loans for current expenditure may be raised only when necessary for bridging purposes during a fiscal year; and

(b) bind itself and a future Council in the exercise of its legislative and executive authority to secure loans or investments for the municipality

Section 19 of the Municipal Finance Management Act, Act no 56 of 2003 states that:

1) A municipality may spend money on a capital project only if—

(a) the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17 (2);

(b) the project, including the total cost, has been approved by the council;

(c) section 33 has been complied with, to the extent that that section may be applicable to the project; and

(d) the sources of funding have been considered, are available and have not been committed for other purposes.

(2) Before approving a capital project in terms of subsection (1) (b), the council of a municipality must consider—

(a) the projected cost covering all financial years until the project is operational; and

(b) the future operational costs and revenue on the project, including municipal tax and tariff implications

(3) A municipal council may in terms of subsection (1) (b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme.

Section 46 of the Municipal Finance Management Act, Act no. 56 of 2003 states that:

(1) A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of this Act, including section 19, and only for the purpose of—

(a) capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in section 152 of the Constitution, including costs referred to in subsection (4); or

(b) re-financing existing long-term debt subject to subsection (5).

(2) A municipality may incur long-term debt only if—

(a) a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and

(b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.

(3) A municipality may incur long-term debt only if the accounting officer of the municipality—

(a) has, in accordance with section 21A of the Municipal Systems Act—(i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and

(ii) invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and

(b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of—

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost in connection with such debt over the repayment period.

(4) Capital expenditure contemplated in subsection (1) (a) may include—

(a) financing costs, including—

(i) capitalised interest for a reasonable initial period;

costs associated with security arrangements in accordance with section 48;

(i) discounts and fees in connection with the financing;

(ii) fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and

(iii) costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing;

(b) costs of professional services directly related to the capital expenditure; and

(c) such other costs as may be prescribed.

(5) A Municipality may borrow money for the purpose of re- financing existing long term debt, provided that:

(a) the existing debt was lawfully incurred;

(b) the long term debt does not extend the terms of the debt beyond the useful life of the assets for which the money was originally borrowed;

(c) the net present value of the projected future payments after re- financing is less that the net present value of projected payments before the re- financing; and

(d) the discount rate used in projecting the net present value referred to in paragraph (c), and any assumptions must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

(6) Municipality's long-term debt must be consistent with its capital budget referred to in section 17 (2)

In terms of Section 47 of the Municipal Finance Management Act, Act no. 56 of 2003:

A municipality may incur debt only if-

(a) it is denominated in Rand, and is not indexed to, or affected by fluctuations in the value of the Rand against any foreign currency; and

(b) if section 48(3) has been complied with, if security is provided to the municipality.

3. Borrowing Policy

a. Background

It has been the policy of this municipality to fund its capital projects by:

- Firstly, using funding that does not attract finance charges or funding that does not have a direct impact on rates and tariffs, primarily from National and Provincial Government and other grants and transfers;
- Secondly, from the Capital Replacement Reserve (CRR); and
- Thirdly, raising external debt finance (e.g. loans/bonds) from financial services providers.

b. Legislative and accounting framework

i. Current legislation

The legal requirements, in terms of Section 46 and 47 of the Municipal Finance Management Act, Act no. 56 of 2003 for the raising of a loan are included in detail in section 2 of this document.

ii. Accounting Framework

Accounting for long term funding for capital projects/ assets must be in terms of all applicable statements of Generally Recognised Accounting Practice.

c. Assessment of funding requirements

Funding requirements for capital projects/ assets must be determined annually, including an assessment of the funding sources. This annual assessment of funding requirements and sources takes into account a multi-year period, and is done in order to determine the adequacy of the funding sources available to meet the determined requirements. Council must take into account how funding decisions affect the operating budget for the multi-year period, which will include the long term impact on tariffs.

d. Raising of external debt for future financing of capital expenditure

The Municipality may consider using the services of an expert, such as a lead debt arranger, to assist in raising external debt.

e. Compliance with financial service providers' requirements

i. Financial ratios

Where it has been decided that funding will be sourced externally, as it is an option available to the Municipality, it should be noted that financial service providers, when considering an application for external debt from a municipality, take certain financial ratios into consideration.

It is the CFO's responsibility to determine the applicable ratios for borrowing and suggested performance levels.

f. Raising of external debt with financing institutions and repayment of the debt

Where external debt is raised the loan repayment period should, if possible, be equal to or less than the economic life of the asset to be constructed.

Apart from satisfying the legal and accounting requirements, the Municipality's ability to service the consequential loan repayments must be assessed in the form of an annual financial plan covering the MTREF.

The financial plan must address, at a minimum, the following:

- ability to service the anticipated loan repayments;
- measures to enhance revenue and revenue collection; and
- ability to finance the associated operating costs.

The financial plan must be reviewed on an annual basis and must be submitted to Council, together with any amendments to this policy

4. Review of the policy

This Borrowing Policy is the sole policy, governing long term funding of capital projects undertaken by the Municipality. This policy will be reviewed annually.

KOUGA MUNICIPALITY



Cash Management and Investment Policy

DEFINITION OF KEY WORDS

In this policy the following words shall have the meanings assigned as follows: -

1. **"Act"** means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).
2. **"Accounting Officer"** refers to the Municipal Manager of the Municipality.
3. **"Finance Committee"** refers to the committee of Council dealing with the financial affairs of the Municipality.
4. **"Finance Directorate"** refers to the municipal directorate dealing with the financial affairs of the Municipality.
5. **"Chief Financial Officer"** refers to the head of the Finance Directorate.
6. **"Investment Panel"** refers to the Committee responsible for managing municipal investments.
7. **"Investment Register"** refers to an electronic spreadsheet, which contains details of all the municipal investments.
8. **"Investment Regulations"** refers to the regulations as prescribed under the MFMA (Act No. 56 0f 2003) in Government Gazette No. 27431, dated 1 April 2005.
9. **"Investment Manager"** means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), contracted by the municipality to: -
   - advise on investments; or
   - manage investments on its behalf.
10. **"Liquidity"** refers to the financial ability of the municipality to service its debts upon falling due.
11. **"MFMA"** refers to the Municipal Finance Management Act, (Act 56 of 2003).
12. **"Minister"** refers to the Cabinet member responsible for Finance.
13. **"KM"** refers to the Kouga Municipality.
14. **"Optimal Yield"** refers to maximum interest earned on investment.
15. **"Policy"** refers to the Cash Management and Investment Policy of the KM.

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1. LEGAL COMPLIANCE

In terms of Section 13 (2) of the Municipal Finance Management Act (Act no. 56 of 2003), municipalities are required to establish an appropriate and effective **Cash Management and Investment Policy,** in accordance with any framework that may be prescribed by the Minister, acting with the concurrence of the Cabinet member responsible for local government and consistent with the Municipal Investment Regulations.

National Treasury, in Government Gazette No. 27431, published Municipal Investment Regulations, which municipalities are required to apply as guidelines when preparing a Cash Management and Investment Policy.

2. SCOPE OF THE POLICY

This policy applies to the Kouga Municipality.

3. OBJECTIVES OF THE POLICY

The objectives of the Cash Management and Investment Policy of the KM are as follows: -

- Ensuring that cash resources are managed efficiently and effectively,
- Ensuring that investments are placed with reputable institutions, for the purposes of safety of capital investment and diversification of the Investment Portfolio,
- Ensuring that adequate liquidity is maintained at all times, for management of cashflows,
- Ensuring that the municipality receives optimal yield / interest on its investments with financial institutions, at minimal risk,
- Striving for reasonable growth on capital investments, in addition to interest earned on investments,
- Ensuring that monies due to Council are collected and banked appropriately, as soon as they are received, and
- Ensuring that payments to creditors are made by the respective due dates.

4. EFFECTIVE CASH MANAGEMENT

All efforts must be made to ensure that: -

- Collection of Cash / Revenue,
- Payment of Creditors,
- Management of Proper Cash Flows, and
- Administration of Banking Accounts are properly maintained, to ensure that excess cash is invested.

4.1 Collection of Cash / Revenue

The cash collection process as determined by Chapter 9 of the Local Government: Municipal Systems Act (Act 32 of 2000) and the Customer Care and Revenue Management By-Law, should be adhered to at all times.

4.2 Payment of Creditors

The payment cycle of all trade creditors must be strictly maintained as required by the Supply Chain Management Policy, or as per the payment terms stipulated in individual contracts. If there are incentives (e.g. trade discounts) favorable to Council when payments are made before due dates, such incentives, where appropriate, must be applied. Wherever possible, payments must be affected by means of electronic transfers, rather than by cheques.

4.3 Management of Cashflows

The Chief Financial Officer shall maintain a **cashflow system** and ensure that funds not immediately required, are invested.

4.4 Administration of Banking Accounts

The opening and closing of municipal bank accounts, deposits into and withdrawals from the municipal bank accounts, signing of cheques and appointment of cheque signatories, and signing of other payment documents, are the responsibilities of the Accounting Officer, but may be delegated in writing to the Chief Financial Officer.

5. INVESTMENT ETHICS, PRINCIPLES AND PROCEDURES

The following ethics, principles and procedures shall apply: -

- The Chief Financial Officer shall be responsible for managing municipal investments.
- The Chief Financial Officer is permitted to appoint a qualified investment manager.
- No improper outside influence or internal interference will be permitted at any time in regard to the management of cash and placing of investments.
- Quotations for call and/or fixed deposits from the approved financial institutions (a minimum of three) will be obtained at the time of contemplating an investment.
- Financial institutions will be required to submit confirmation certificates upon the placement of investments, which will include a declaration that no commission was paid relating to the investment.
- The Chief Financial Officer shall maintain a detailed investment register.
- The Chief Financial Officer shall hold in safe custody all investment certificates and other related documents, for audit purposes and proper recordkeeping,
- Investments made must be in the name of the Kouga Municipality (Section 12 of the Municipal Investment Regulations).

- No funds will be borrowed for the purpose of investments (Section 12 of the Municipal Investment Regulations).
- The Chief Financial Officer shall ensure that interest and capital is received and receipted when due.
- Any risk arising from any investment transaction rests with the municipality (Section 12 of the Municipal Investment Regulations).

6. STANDARD OF CARE

Section 5 of the Municipal Investment Regulations emphasizes that investments made by a municipality, through municipal officials, or by an investment manager on behalf of the municipality must be made with such judgement and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence, who is entrusted with management of public funds, would exercise.

Investments made by the municipality or investment manager, may not be made for speculation. A high standard of care which includes (i) Preservation and Safety of Capital Invested, (ii) Liquidity, and (iii) Yield, must at all times be maintained when making investments.

7. PERMITTED INVESTMENTS

In terms of Section 6 of the Municipal Investment Regulations, municipalities are permitted to invest in the following instruments and investments: -

a) Securities issued by the National Government,
b) Deposits with Banks registered in terms of the Banks Act, 1990 (Act 94 of 1990),
c) Listed corporate bonds with an investment grade rating from an internationally recognized credit rating agency,
d) Deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioner's Act, 1984 (Act 46 of 1984),
e) Deposits with the Corporations for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act 46 of 1984),
f) Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act 94 of 1990),
g) Guaranteed endowment policies with the intention of establishing a sinking fund,
h) Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act 94 of 1990),
i) Municipal bonds issued by a municipality, and
j) Any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

8. PROHIBITION OF INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

In terms of Section 7 of the Municipal Investment Regulations, municipalities are not permitted to place investments denominated in foreign currencies.

9. PAYMENT OF COMMISSION

Section 8 of the Municipal Investment Regulations, states that:-

(1) No fee, commission or other reward may be paid to a councillor or official of a municipality or to a spouse or close family member of such councillor, or official in respect of any investment made or referred by a municipality.

(2) Any commission, fee or other reward paid to an **investment manager** in respect of any investment made on behalf of the municipality must be declared to the Council of the municipality by way of a certificate disclosing full details of the payment.

10. REPORTING REQUIREMENTS

In compliance with Section 9 of the Municipal Investment Regulations, the Accounting Officer shall report within 10 working days of the beginning of each month, to the Executive Mayor, the investment position / portfolio of the Municipality as at the end of the previous month. A similar report shall also be submitted to the Finance Committee.

Such report must at a minimum provide: -

- The market value of each investment as at the beginning of the reporting period,
- Any changes to the investment portfolio during the reporting period,
- The market value of each investment as at the end of the reporting period, and
- Fully accrued interest and yield for the reporting period.

In complying with Section 70(2) of the Act, the Accounting Officer must report to the National Treasury and Council whenever the consolidated bank balances show a net overdrawn balance for a period exceeding **14 days (two weeks).**

Such report must at a minimum provide: -

- The amount by which the accounts are overdrawn,
- Reasons for the overdrawn accounts, and
- Steps taken or to be taken to correct the matter.

11. CREDIT REQUIREMENTS

In terms of Section 10 of the Municipal Investment Regulations reasonable and prudent steps shall be taken by the Chief Financial Officer, to ensure that investments are placed with credit- worthy institutions. The investment policy of a municipality must determine acceptable investment ratings of financial institutions, and must liquidate any investment that no longer has a minimum acceptable rating.

The following will determine the suitability of a financial institution and will set investment limits, within which municipal investments can be placed: -

- Must be an approved instrument in terms of Paragraph 7(Permitted Investments) of this policy,
- The institution must be highly rated by credible Rating Agencies,
- The shareholder equity of the institution must be in excess of at least **R10bn**,
- The investment limit per approved financial institution must be limited to **10%** of the bank's distributable reserves, as per their latest financial statements.

12. INVESTMENT DIVERSIFICATION

In terms of Section 11 of the Municipal Investment Regulations, municipalities are required to take all reasonable and prudent steps, consistent with its investment policy and standard of care, to diversify its investment portfolio across institutions, types of investments and investment maturities.

The Chief Financial Officer must ensure that municipal investments are placed equitably amongst the approved financial institutions. Investment limits must be determined as stipulated in Paragraph 11 of this policy, and no more than **25%** of municipal investments can be placed with one financial institution. The Chief Financial Officer must review the investment limits with the approved financial institutions at least once a year, or whenever the need exists for a review.

13. ACCOUNTING FOR TRUST FUNDS

Unless otherwise required by trust deeds, trust funds will be invested within the terms of this policy, but be recorded separately in the municipality's accounting system. If pooled with the Municipality's investments, trust funds will earn the average interest rate applicable to the municipality. The requirements as stipulated in the Trust Deed, will take priority.

14. ESTABLISHMENT OF AN INVESTMENT PANEL

The Chief Financial Officer is responsible for establishing an "Investment Panel", which will be responsible for all investment related matters of the municipality, including decisions for placing investments, setting investment limits, signing investment cheques, signing investment correspondence, revision of Cash Management and Investment Policy, etc.

The following Budget and Treasury officials will serve as members of the investment panel:

- Chief Financial Officer or delegate
- Budget and Treasury Manager, who shall not be the CFO's delegate at that point in time,
- Expenditure Manager or delegate

15. RAISING OF DEBT

Municipal debt (short or long term) shall be raised, in strict compliance with the requirements of Chapter 6 of the Municipal Finance Management Act (Act 56 of 2003).

16. ACCOUNTING TREATMENT OF INTEREST EARNED ON INVESTMENTS

The interest accrued on all municipal investments shall, in compliance with the requirements of generally recognized accounting practice, be recorded in the first instance in the municipality's statement of financial performance as ordinary operating revenues, and may thereafter be appropriated to the fund or account in respect of which such investment was made, depending on the conditions which apply to the fund or account.

17. PETTY CASH

- Departments request petty cash through written request with supporting documentation such as , Memo explaining request, quotation , budget verification
- Request must be signed by both Manager and the relevant Director;
- Request shall be sent to Manger Expenditure for approval
- Departments have a limit of R2000.00 per month.
- Invoices must be signed by the relevant manager or Director ;
- No petty cash will be issued if there is outstanding receipts form the relevant Department.

Certain types of Expenditure may be excluded from Petty Cash when considered necessary.

Petty Cash not permitted for the following items,

- S&T Advances;
- Transport and Subsistence claims.
- Repairs to Labour saving Devices.
- Airtime or Data/ Cellular phone Accounts
- Entertainment as Defined in terms of SCOA, i.e Food / lunch beverages nor any re-imbursements of such.
- Registration Fees.
- Items available on tender or at SCM Stores except if item is not available and it's an emergency.
- Any Low valued Items, eg Coffee, tea, Milk etc for any boardroom meetings / office use as such items can be quantified and bought through normal SCM Process.
- No splitting of Invoices. i.e buy same items more than once to slip invoice value.

18. REVIEW OF THE POLICY

This Cash Management and Investment Policy is the sole policy governing cash management and investments in the Kouga Municipality and this policy will be reviewed annually.

2.4 OVERVIEW OF BUDGET RELATED POLICIES

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

2.4.1 Financial Management Policies

A number of policies have been adopted by the Council. The policies govern the financial management functions of the Municipality, such as supply chain management, budget virements, credit control and debt collection, etc. A number of policies have been reviewed and proposed changes to these policies are documented below.

2.4.2 Review of Customer Care, Credit Control and Debt Collection Policy

The Customer Care, Credit Control and Debt Collection Policy was reviewed and approved by Council on 30 October 2018.

The 2022/23 MTREF has been prepared on the basis of achieving an average revenue collection rate of 94% of current billings for property rate and service charges.

The following changes are proposed:

- Page 6, Definitions – **Delete**:
  "Implementing Authority" — *Means the Municipal Manager or his or her nominee, acting in* terms of section 100 of the Systems Act.

- Page 7, Definitions – **Delete**:
  "***Unreliable customer*" -** Includes an account holder, who according to his or her payment record fails to settle his or her municipal account by the due date or who is in arrears with payments due to the municipality or who tampers or interferes with metering equipment, seals or the supply of Municipal services.
- Page 11, Paragraph 5 – **Add:**

  5. CUSTOMER CARE POLICY

  5.1 OBJECTIVES

  The objectives of the Customer Care Policy are:
  - to focus on the needs of the consumer in an accountable and pro-active manner, to improve the payment of service fees and
  - to establish a positive and cooperative relationship between the persons responsible for payment for services and the municipality and, where applicable, the service provider.
- Page 13, Paragraph 5.3.2 – **Delete** "alleged'
- Page 13, Paragraph 5.4 – **Add** heading "Consumer Deposits"
  Add the following paragraph:

  Building Deposits

  5.4.4 Building deposits made by a customer is refundable, free of

interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of Council's property or infrastructure.

5.4.5 Deposits shall be forfeited to the Council if not claimed by the Customer within 3 years of the occupation certificate issued to the customer.

5.4.6. The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.

5.4.7 All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided

- Page 14, Paragraph 5.5.4- **Add "**The applicable fee might be waived exceptional circumstances."

Page 14, Paragraph 5.5.10 – **Add**: "from the date the dispute was registered."
Page 14, Paragraph 5.5.11 – **Delete** "the twelve preceding months (1year)". **Add: "**preceding three (3) years"

- Page 16, Paragraph 5.6.4 – **Add**: "in cycles of approximately 30 days"

Add *after consumption*, "for a maximum of four (4) successive months."

5.6.6 Page 16, Paragraph 5.5.6 – **Add** *after Voluntary, /*Self readings will be permitted provided that:

5.6.6.1 the readings are submitted monthly to the dedicated e-mail or municipal application, if available address accompanied by a clear picture of the meter number and reading.

5.6.6.2 the convenience of submitting voluntary/self readings will be cancelled automatically without notice if the customer fails to submit the readings as per 5.6.6.1 above for two consecutive months.

Delete:

5.6.5.3 These will be permitted provided the municipality obtains any final reading, should the customer move to another supply address.

5.6.5.4 Customers may be liable for a fee to cover the costs of obtaining a reading if no prior warning is given and special arrangements are required to obtain a reading.

5.6.5.5 The Municipality is entitled to make suitable adjustments

to the readings should the debtor fail to ensure that a final reading is obtained.

5.6.5.6 An audit reading during the normal reading cycles must be obtained once every six months. If a special audit reading becomes necessary, this will be done at the cost of the consumer.

5.6.5.7 The customer may elect to supply voluntary readings subject to compliance with the rules. The Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.

- Page 17, Paragraph 5.8.1- **Delete**:" Excess"
  Add *after the* "account of a domestic consumer", **Delete** *after be* recalculated in terms of the "Water charge on water usage and sewerage Leak" tariff, **Add : "**reduced by 90% of the excess (above average consumption) in respect of water and sewerage"
  Delete *after* Excess will be calculated, Adjustments will be
  Delete *after months*, "after the leakage took place or alternatively on the consumption 6 months"
  Add: "Relief on a water leak will only be considered once within a 12 month Cycle."
- Page 18, Paragraph 5.8.2 – **Delete**: rating, **Add**: approved Property Rates
- Page 18, Paragraph 5.9.1 – **Delete:** 31st of August, **Add**: 30th of September
- Page 19, Paragraph 5.10 – **Add**: as per the approved Indigent Support Policy
  Delete:
  to be declared indigent provided that the following conditions are compiled with:

    - That the gross household income does not exceed the poverty threshold value as determined by the Council's Indigent Policy.

    - That the Municipality may inspect the property occupied by the applicant, in respect of which municipal services are rendered to assess the merits of the application.

    - Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal with the Chief Financial Officer, within a period of ten (10) days from the date on which the aforesaid decision has been communicated to him/her.

- Page 19, Paragraph 5.12.1- **Delete**: The municipality will at its own cost make the Customer Care, Credit Control and Debt Collection policy brochure available to the community.
  Add: The approved Customer Care, Credit Control and Debt Collection policy will be available to the community at all revenue enquiry offices, the municipal website and offices of the ward councillors.
  Add: 5.12.2. Other platforms such as social media may also be utilized.

  5.12.3 It is the responsibility of the consumer to ensure that his/her postal address and other contact details are correct.

- Page 19, Paragraph 5.13.1 – **Add**: The decision to open or closing of any office must be reported to the ward councillors
- Page 20, Paragraph 5.14 – **Add** "AND DISPUTES" to heading.
  Add:

  5.14.5 As a last resort an accountholder may lodge a dispute, in writing, on the formal
  Section 102 Dispute Form available at the municipal offices upon request.
  - No dispute will be registered verbally whether in person or over the telephone;
  - The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality;
  - The full nature of the dispute must be described in the correspondence referred to above;
  - A written acknowledgement of receipt of the dispute must be provided to the debtor.
  - All disputes must be concluded by the Chief Financial Officer;
  - The Chief Financial Officer's decision is final and will result in the immediate implementation of any debt collection and credit control measures after the debtor is provided with the outcome of the dispute; and the same debt will not be regarded as a matter of dispute.
  - The outcome of the dispute must be communicated to the ward councillor.

  5.14.6 A consumer may appeal against the finding of the municipality or its legal
  agent in terms of sub-paragraph 5.14.5.

  5.14.7 An appeal and request in terms of sub-paragraph 5.14.6 must within twenty
  one (21) days after notification of the findings mentioned in sub-paragraph

5.14.5 be addressed to and submitted to the office of the municipal manager

and must:

(a) set out the grounds for the appeal; and

(b) be accompanied of any security determined for the testing of the

metering device, if applicable.

5.14.8 The appeal must be finalized within 14 working days of receipt of an appeal.

- Page 22, **Add** Paragraph 5.16

5.16 BUILDING PLANS

5.16.1 Building plan applications will be rejected if municipal accounts are in arrears, this includes arrears on payment arrangements.

5.16.2 No arrangements to settle the debt will be accepted after an application was declined.

- Page 22, **Add** Paragraph 6.3.2

6.3.2 Pending indigents will not be subjected to credit control measures as per 6.3.1 above. Outstanding debt prior approval will be collected via auxiliary payments through pre-paid purchases on a 50:50 ratio.

- Page 23, Paragraph 6.3.3- **Replace** seven (7) day with fourteen (14) day
- Page 23, Paragraph 6.3.4 – **Delete**: "or restrict" , **Add**: "the restrict the sale"
- Page 23. Paragraph 6.3.5 – **Add** *after arrangements "*and the disconnection/blocking and reconnection/unblocking fee"
- Page 24, Paragraph 6.5.4- **Delete**: The new owner may be held liable for any debt not recovered from the previous owner or accountholder, as municipal debt is a charge upon the property in terms of Section 118(3) of the Municipal Systems Act. **Add:** No undertakings will be accepted in respect of payments prior issuing of clearance.
- Page 24, Paragraph 6.5.5-**Delete**: "and services and 2 (two) months' water and electricity usage"
- Page 25**, Add** Paragraph 6.5.6 : Extension of clearances will not be allowed.
- Page 25, Paragraph 6.57- **Add:** upon application of services or termination of services by the seller.
- Page 25, Paragraph 6.6.1- **Add** *after costs*, "from the date of application"
- Page 25, Paragraph 6.7.2 – **Delete**: Only cash will be accepted for the sale of prepaid electricity at all the Municipal offices;
- Page 26, Paragraph 6.10

Add:

6.10.2 Interest on overdue accounts will be charged at prime rate plus 1 percent.

6.10.3 Interest charged on overdue accounts will be equivalent to a full Month from the billing date each month, or part thereof that the account is overdue.

- Page 28-29, Paragraph 7.3.1 – **Delete**:" including interest", **Add**: No interest will be levied on handed over accounts.
- Page 29, Paragraph 7.5- **Add**:

7.5.1 If a consumer cannot pay his/her municipal account, the municipality can enter into an extended payment term whereby the consumer must:

7.5.1.1 sign an acknowledgement of debt agreement
7.5.1.2 sign permission to take judgment;
7.5.1.3 sign to be included on the municipal debit order run if employed
7.5.1.4 provide the latest proof of household income if employed alternatively provide a three months bank statement if not employed or self-employed.
7.5.1.5 sign an admission that should the agreement not be adhered to, no further arrangements will be possible and that the disconnection of water and electricity, as well as legal proceedings, will immediately be implemented without notice;
7.5.1.6 accept liability for all costs; and
7.5.1.7 provide annually on 31 May new proof of income, which return, shall serve at the same time for purposes of indigent assistance.

7.5.2 When an account holder defaults on an arrangement the arrangement may be reinstated provided that all unpaid instalments as well as current amounts are paid in full.

7.5.3 No person will be allowed to enter into a new agreement if an agreement was dishonoured or any other reason.

7.5.4 No interest will be levied on accounts with valid payment arrangements.

- Page 30, **Add** Paragraph 7.5.8
  All arrangements must be reported to the Portfolio committee monthly.
- Page 30, Paragraph 7.6 – Changes as per the below
  7.6.1 Domestic Account Holders for first time defaulters:

Total gross household income per month	**Initial down- payment**	**Minimum payment per month**
R0 to ~~R2500~~ amount equal to two state pensions (Indigents)	Minimum of R100	~~Current account in excess of the indigent subsidy, and a minimum of R100~~ ~~48~~ 60

		equal monthly instalments plus current account
~~R2501 to R4000~~	~~Minimum of R1000~~	~~Current account plus a minimum of R500~~
~~R4001~~ amount from two state pensions to ~~R6000~~ R8 000	Minimum of R1500	~~Current account plus a minimum of R500~~ ~~36~~ 48 equal monthly instalments plus current account
~~R6001~~ R8 001 to R12000	Minimum of R2000	~~Current account plus a minimum of R500~~ ~~24~~ 36 equal monthly instalments plus current account
R12000 and above	Minimum of R2500	~~Current account plus a minimum of R500 12~~ 24 equal monthly instalments plus current account

The minimum amount is subject to the outstanding balance. Arrangements will not be granted on outstanding debt less than the minimum down payment.

- Page 32, Paragraph 7.6.3.2- **Replace**: 20% with R2 500.00
- Page 32, Paragraph 7.6.3.3 – **Delete**: "The current account plus a minimum determined according to the outstanding balance"
  Add: Arrears to be paid in 24 equal instalments.
- Page 32, Paragraph 7.6.4- **Add**:
  7.6.4 State Departments

  No arrangements.
  Delete:

  7.6.4.1 When an account holder defaults on an arrangement for the first time only, the arrangement may be reinstated subject to the approval of the CFO or the delegated person and only on the following condition:

  All unpaid instalments as well as current amounts must be paid in full and only in cash or by electronic transfer.

  7.6.4.2 No person will be allowed to enter into a second agreement if the first agreements were dishonoured, except in special merit cases;
- Page 33, **Add** Paragraph 8

~~REPORTING AND~~ PERFORMANCE MANAGEMENT

The council must institute the necessary mechanisms to set and measure performance against targets with regard to debt collection, customer care and administrative performance and take corrective steps in order to promote credit control and debt collection.

8.1 **Income Collection Targets**

The council must set targets that include the following:

- The council wants to collect all monies owed to the municipality.
- The collection rate per annum.

8.2 **Customer Care Targets**

The council must set targets that include the following:

- response times with regard to enquiries by clients;
- the date on which the first account must be rendered to customers;
- the time frame for the reconnection of services; and
- The meter reading cycle.

8.3 **Administrative Performance**

The council must set targets that include the following:

- cost effectiveness of debt collection;
- enquiry and appeal procedures; and
- Implementation mechanism relationships.

- Page 34, Paragraph 10- **Add**:

10.2 Deviation from this policy can only be approved in terms of council's system of delegations; and

10.3 Deviations must be reported to council.

2.4.3 Supply Chain Management Policy

A revised Supply Chain Management Policy was adopted by Council in 29 March 2018.

2.4.4 Property Rates Policy

A revised Property Rates Policy was adopted by Council in February 2018.

The following changes is proposed as follow:

- Pg6. **Delete** definition of Privately owned townships serviced by the owner
- Pg11 part of paragraph 5 – **Delete** sub-category "State"
- Pg 11 paragraph 7 - **Delete the following**:
  For the purpose as described in sections 3.2 and 3.3 of this policy
  a) Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the Municipality;
  b) Owners of properties situated within an area affected by:
     (i) a disaster within the meaning of the Disaster Management Act, 2002 (Act No 57 of 2002); or
     (ii) any serious adverse social or economic conditions.
     - Owners of properties situated in "privately owned townships" serviced by the owner;
     - Owners of agricultural properties;
     - Owners of farm properties and small holdings that are used for residential purposes;
     - Owners of farm properties or small holdings that are used for industrial, commercial and business purposes; and
     - • Owners of developed properties not yet sold and transferred.

  Add the following:

  a) indigent status of the owner of a property
  b) sources of income or/and monthly household income of the owner of a property
  c) owners of property situated within an area affected by-
     i) a disaster within the meaning of the Disaster Management Act, 20002 (Act no 57 of 2002 ; or
     ii) any other serious adverse social or economic conditions;
  d) owners of residential properties with a market value below a determined threshold; or
  e) owners of agricultural properties who are bona fide farmers.
- Page 12, Paragraph 8 – **Correction** of ratios for the following categories as per page 13:

  Business Vacant Land from 1:5 to 1:1.5

  Industrial Vacant Land from 1:5 to 1:1.5

- Page 13, Paragraph 9 (a) – **Delete** "which are not used by the trading services"

  Page 14, **Add** point 9 (d) – "**Private Open Space/Place**

  Properties categorized as Private Open Space/Place will be 100% exempted from paying property rates."

  a) Page 14, Paragraph 10 – **Add 10 (c)** - on the first R15 000 of the market value of all residential properties contemplated in terms of section 17(1)(h) of the Act. Vacant land does not qualify for this rebate.

  Page 18, Paragraph 12 – **Delete** "Council", **Add** "Municipal Manager or his nominee. Replacement noted in whole paragraph.

  Add – "Applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought."

2.4.5 Funding and Reserves Policy

The Funding and Reserves Policy was adopted by Council in May 2016.

The Funding and Reserves Policy was reviewed and the following changes are recommended:

A Capital Replacement Reserve was included in this section to guide the institution on what categories of funding should be transferred to the Capital replacement reserve under section 4.3.

Cash balances section under 4.4 was created to clarify how the unincumbered cash will be calculated to avoid the spending or commitments against cash and cash equivalents.

2.4.6 Cost Containment Policy

The Cost Containment Policy was reviewed, updated and submitted to a Policy workshop in 2022 and recommended for adoption in the 2023/24 Annual draft Budget.

2.4.7 Cash Management and Investment Policy

The following changes are proposed in the Cash Management and Investment Policy regarding the Petty Cash:

17. PETTY CASH

17.1 Process to request Petty Cash.

- Departments request petty cash through written request with supporting documentation such as , Memo explaining request, quotation , budget verification

- Request must be signed by both Manager and the relevant Director;
- Request shall be sent to Manger Expenditure for approval
- Departments have a limit of R2000.00 per month.
- Invoices must be signed by the relevant manager or Director ;
- No petty cash will be issued if there is outstanding receipts form the relevant Department.

Certain types of Expenditure may be excluded from Petty Cash when considered necessary;

Petty Cash not permitted for the following items,

- S&T Advances;
- Transport and Subsistence claims.
- Repairs to Labour saving Devices.
- Airtime or Data/ Cellular phone Accounts
- Entertainment as Defined in terms of SCOA, i.e Food / lunch beverages nor any re-imbursements of such.
- Registration Fees.
- Items available on tender or at SCM Stores except if item is not available and its an emergency.
- Any Low valued Items, eg Coffee, tea, Milk etc for any boardroom meetings / office use as such items can be quantified and bought through normal SCM Process.
- No splitting of Invoices. i.e buy same items more than once to slip invoice value.

2.4.8 Borrowing Policy

The Borrowing Policy was adopted by Council in May 2016.

The Policy was reviewed, and no changes are recommended.

2.4.9 Budget virement Policy.

The Budget virement policy was reviewed, updated and submitted to a Policy workshop in 2022 and recommended for adoption in the 2023/24 Annual draft Budget.

2.4.10 Budget Implementation and Management Policy.

The Budget implementation policy is a new policy proposed to be approved with the Draft Annual Budget. The objectives of the policy are as follows:

a) The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget;
b) The responsibilities of the executive mayor, the accounting officer, the chief financial officer and the directors in compiling the budget; and

c) To establish and maintain procedures to ensure adherence to Kouga Municipality's Integrated Development Plan (IDP) review and budget processes

2.4.11 Indigent Policy.

Proposed changes to policy is as follow:

- Page 8, Paragraph 4

  Add: 4.4 The combined bank balances of all occupants or dependents in a single household which receives services from the municipality may not exceed the amount equivalent to six (6) state pensions upon date of application or verification date.

- Page 10, Paragraph 5.5

  Replace "shall" with "may"

2.4.12 Unallocated Revenue and Building Deposit Policy

- The policy is regarded as a Standard Operating Procedure and should be disregarded.
- The following paragraph in respect of unallocated deposits will be moved to the Budget Policy:

  After a period of 3 (three years) when no claims are made or the origin of the payment is still unknown / unidentified, the unknown receipt as posted in the Unallocated Revenue Account will be journalised to the Sundries Revenue Account in the current period.
- The following paragraph in respect of Building Deposits will be moved to the Customer Care, Credit Control and Debt Collection Policy:

  REFUND OR FORFEITURE OF BUILDING DEPOSIT

  • *Building Deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of council's property or infrastructure.*

  • *Deposits shall be forfeited to the council if not claimed by the customer within 3 years of the occupation certificate.*

  • *The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.*

  • *All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided.*

2.4.13 Policy on Provision for Doubtful Debt and Write Off of Irrecoverable Debt

The following changes are proposed:

- Page 11, Paragraph 9.1 – **Delete**: within 120 days

2.4.14 Tariff Policy

- **Inserted** Cover Page and Preamble, **Removed** Heading of Policy

2.4.15 Asset Management Policy

Summary of all changes to the policy

<u>Definitions</u>

Component

means a specific part of a complex item that has independent physical or functional identity and specific attributes such as different life expectancy, maintenance and renewal requirements and regimes, risk or criticality.

Investment property

is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes; or
(b) sale in the ordinary course of operations

Heritage assets

are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations .
Examples are works of art, historical buildings and statutes

<u>Aim of document</u>

The aim of this policy is to ensure the effective and efficient control of the municipality's capital assets through:

- a) Proper recording of capital assets from authorisation to acquisition and to
- subsequent disposal;
- b) Providing for safeguarding procedures;
- c) Setting proper guidelines as to authorised utilisation; and
- d) Prescribing for proper maintenance.

To assist officials in understanding their legal and managerial responsibilities regarding capital asset.

Background

The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of capital assets.

Stewardship has three components being the:
a) Management, utilisation and control by the Municipal Officials;
b) Financial administration by the Chief Financial Officer; and
c) Physical administration by the Senior Managers

Responsibilities And Accountabilities

The **Accounting Officer** is responsible for the management of the capital assets of the municipality, including the safeguarding and the maintenance of these capital assets.

The **Chief Financial Officer** is responsible to the Accounting Officer to ensure that the financial investment in the municipalities' capital assets is properly recorded.

The **Senior Managers** must take all reasonable steps to ensure that appropriate systems of physical management and controls are established and carried out for capital assets in their areas of responsibility.

Purchase of an asset

Before a capital project is included in the budget for approval, the Senior Manager must demonstrate, and the Council must consider:

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

Deleted

Purchase of an Asset

- All Assets acquired for a Financial Year must be included in the Kouga Municipality's Integrated Development Plan as per the annual capital budget.
- The Kouga Municipality Council must approve any asset that did not form part of the original annual capital budget.
- Any increase in price for an asset budgeted for in the annual capital budget that does not exceed 10% of the original cost price must be approved by the Head of the Department as well as the CFO before the asset is purchased. A Price increase of

more than 10% must be approved by the Municipal Manager as well as the CFO before the asset can be purchased.

- Tender and quotations must be obtained as prescribed by the Kouga Municipality's Procurement Policy and all other work procedures must be followed when an asset is acquired.
- Capital items not purchased in the financial year as approved on the IDP and capital budget of the Municipality may only be transferred to the next financial year if it is approved by the Municipalities Executive Committee and Council. These approved transfers must be included as carry-over amounts in the capital budget for the new financial year.

Repairs and manitenance

Maintenance is further required to be classified between **Preventative Maintenance and Corrective Maintenance**, as directed in terms of an anticipated maintenance plan.

Preventative maintenance is planned or carried out on opportunity.

Corrective maintenance can be planned or unplanned.

Disposal of assets

Assets are replaced as soon as the asset has no economic value / service potential to the municipality. Senior managers should annually identify possible replacement needs and inform the CFO by no later than 31 January of the estimated costs to be placed on the capital budget for approval.

Capital asset maintenance plan

On an annual basis the asset department will provide the managers with a list of assets within their departments indicating the condition and the remaining useful life

Senior Managers needs to develop a capital asset management plan for immoveable capital assets that meets the definition of the undermentioned capital asset categories:

a) Infrastructure Assets;
b) Community Assets;
c) Investment Property; and
d) Any other Immoveable assets

Condition assessment table

Rating	Description	Detail description	Indicative of RUL
1	Very good	Sound structure well maintained.	71-100% EUL
		Only normal maintenance required.	
2	Good	Services needs but minor deterioration (< 5%).	46-70% EUL
		Minor maintenance required.	
3	Fair	Marginal, clear deterioration (10-20%).	26-45% EUL
		Significant maintenance required.	
4	Poor	Significant deterioration of structure and/or appearance	11-25% EUL
		Significant impairment of functionality (20-40%)	
5	Very poor	Significant renewal/upgrade required.	0-10% EUL
		Unsound, failed needs ,reconstruction/replacement	
		(> 50% needs replacement)	
Rating Description			
EUL' is Expected Useful Life			
'RUL' is Remaining Useful Life			

KOUGA MUNICIPALITY



Draft Cost Containment Policy

IMPLEMENTATION OF COST CONTAINMENT PLAN

PREAMBLE

The object of this policy, in line with the Cost Containment Regulations, and in line with MFMA sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b), is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

The following measures must be implemented, consistently with immediate effect to ensure the containment of costs: -

1. **Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners**

Measure

- Directors must ensure compliance with all the relevant policies and procedures, as it relates to employment contracts, for the aforementioned employment categories.

Controls

- Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Corporate Services Directorate, ensure compliance.

- The Corporate Services Directorate must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011)

- The relevant recruitment notifications must be endorsed by the Salaries and Expenditure Section for budget availability, after HR has confirmed compliance with the applicable HR policies.

2. **Travel claims**

Measure

- Ensure effective control over travel claims.

Controls

- Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.

- Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.

- The respective Directors should exercise control over the distances travelled.

3. Credit Cards

The use of credit and debit cards was addressed in an earlier MFMA Circular.

A bank, or any other institution, may not issue credit cards or debit cards linked to a bank account of a municipality or a municipal entity to any councillors, entity board members, municipal or entity officials or any other person. The issuing and use of such cards be it for official purposes:

- contravenes section 11 and 85 of the MFMA as there is no way of ensuring that all purchases made on the card are in accordance with the items listed in the sections or as prescribed.

- contravenes section 167 of the MFMA which provides that any bursary, loan,
  advance or other benefit paid to a municipal councillor otherwise than in accordance with the provisions of the Remuneration of Public Office Bearers Act constitutes irregular expenditure.

- contravening section 15 of the MFMA by incurring expenditure not authorised in an approved budget.

- non-compliance with section 164 of the MFMA which provides that no municipality or municipal entity may make loans to councillors or officials of the municipality, directors or officials of the entity or members of the public.

- non-compliance with the supply chain management regulations; and

- undermines efforts to safeguard municipal funds, combat fraud and corruption, as well as other irregular practices.

While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilised in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

Where officials or councillors incur expenses in relation to official municipal activities, they should use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the relevant municipal policy and processes. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.

4. Essential Vehicle User Scheme

Measure

- Limit expenditure under the scheme and apply the applicable policies and procedures consistently.

Controls

- Policy guidelines must be formulated by the Corporate Services Directorate relating to the type of vehicles to be purchased by qualifying employees, requiring vehicles for the execution of their duties.

5. Acting Allowances

Measure

Acting allowances must be paid in accordance with the applicable HR policies, SALGBC Collective Agreements and any applicable legislation.

Controls

- Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.

- Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).

- Acting **must** only be permitted in funded vacant positions.

- Prior to an employee being assigned to act, the request must firstly be forwarded to the Salaries and Expenditure Section to confirm budget availability.

- Acting for extended periods **must** be discouraged, unless **motivated** to the Municipal Manager, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

6. Overtime

Measure

- Overtime must be undertaken in compliance with all relevant policies, SALGBC Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act).

Controls

- Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.

- Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).

- The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Municipal Manager prior** to the actual overtime being worked.

- The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.

- The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.

- The Corporate Services Directorate must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

7. Catering Costs

- No catering expenses may be incurred for any meetings where only municipal officials are in attendance. Notwithstanding the above, the accounting officer may incur catering expenses for the following, provided that such last for five (5) continuous hours or more:

  a) The hosting of conferences, workshop, courses, forums, recruitment
  interviews, training courses, hearings;

  b) Meetings related to commissions or committees of inquiry;

- No expenses may be incurred on alcoholic beverages.

- Ensure that team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.

- Notwithstanding the above, accounting officers may incur no more than the petty cash allocation or limitations on expenditure from their respective budgets to host farewell functions to employees who are either;

    i. proceeding on retirement due to ill health; or

    ii. proceeding on retirement after reaching the qualifying age of a minimum of ten (10) or more years working for the public services.

- Accounting officers may **not** host farewell functions for employees who have:

    a) been dismissed.
    b) elected to resign or leave by accepting severance packages; or
    c) Approached the end of their contractual term.

The following control measures are applicable as it relates to catering and
entertainment: -

Control Measures

- Apart from refreshments and sandwiches, catering and refreshments may be
  provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings, at the discretion of the Municipal Manager.

8. Events, Advertising and sponsorships

- Eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.

- Memorabilia, gifts and other novelties should be of token value only and should only be offered in order to acknowledge support or a visit

or attendance by a dignitary in connection with a benefit to the local community; to reciprocate the giving of a similar token gift by another organisation; or similar but in all cases there must be an identifiable benefit to the community.

- Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.

9. Attendance of Conferences, Seminars & Workshops

Measures and Controls

- Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.

- The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.

- The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.

- The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the Municipality.

- Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.

- In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Municipal Manager.

10. Municipal Workshops, Retreats, Strategic Sessions and Internal training

Controls

- Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.

- The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.

- Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.

- The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.

- Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Municipal Manager approving the use of external venues.

11. Projects /Programme Launches

Controls

- The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.

- When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

12. Engagement of Consultants

- The Accounting Officer must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

- Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.

- Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:

    a) determined in the "Guidelines on fees for audits done on behalf of the AuditorGeneral South Africa", issued by the South African Institute of Chartered Accountants (SAICA);
    b) set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA); or

    c) Prescribed by the body regulating the profession of the consultant.

- Ensure an exacting "specification" of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.

- Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, the accounting officer must invoke such clauses, where deemed necessary.

- It is mandatory that the accounting officer concludes on the best "value for money", i.e. matching fees against quality and against benchmarked practices.

- The Accounting officer must appoint consultants on a time and cost basis with specific start and end dates.

- Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government, whilst the contract price must specify all travel and subsistence costs.

- If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:

    a) Hotel accommodation may not exceed the amount mentioned in MFMA Circular No.82

    b) Only economy class air tickets may be purchased for flights;

    c) Only group B vehicles or lower may be hired for engagements, as mentioned in MFMA Circular No. 82

    d) Kilometers claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.

- Municipalities are urged to develop consultancy reduction plans.

- Undertake all engagements of consultants in accordance with the SCM
  Regulations and the municipality's SCM policy.

<u>Measure</u>

- The use of consultants must be reviewed and curtailed.

<u>Controls</u>

- All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager,

based on a motivation from the Director concerned, endorses the procurement process.

- Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.

- Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.

- Any SLA or contract signed with consultants, must include

  (i) penalty clauses for poor performance,
  (ii) clauses that deal with skills transfer,
  (iii) period of the contract must be clearly stated, amongst other pertinent clauses.

- Directorates who deal with consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.

- The Municipal Manager **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

13. Telephone costs (Landlines)

Measure

- The Council's policy relating to payment for private calls must be fully enforced by all Directorates.

Controls

- The cost of private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), so that the necessary deductions can be made from the affected municipal employees' salaries.

14. Uniforms and Clothing

Controls

- A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.

- A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

15. Office Furnishing

Measure

- Municipalities should exercise due precaution in refurbishing offices, purchasing equipment, etc. especially when new persons are elected or appointed. Use of existing facilities and equipment is encouraged.

- Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.

16. Travel and Subsistence

In line with the National Treasury instruction 01 of 2013/2014, as it relates to travel and subsistence expenses, the following control measures must be implemented:

Control measures

- Only economy class tickets to be purchased for employees and Councillors, where the flying time of the flight is five (5) hours or less.

- The Municipal Manager may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.

- Purchasing of air tickets for first class travel is not permitted, under any circumstances.

- Domestic hotel accommodation linked to travel and subsistence may not exceed **the relevant rates** per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.

- The amount of R1,300 quoted above may be exceeded with approval of the Municipal Manager in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.

- Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.

- Sharing of the mode of transport when Employees / Councillors travel to the same destination.

- Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).

- When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).

- Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

17. <u>Staff study, perks and suspension costs</u>

- Training attended by employees and councillors may only be attended at pre-approved service providers to ensure sufficient quality of training and to obtain
  value for money.

- Expenditure associated with overseas study tours by councillors or officials must
  be reduced and preferably stopped.

- Encourage staff to take time off to make up for overtime worked.

- Planned overtime must be submitted to management for consideration on a
  monthly basis.

- Unplanned overtime worked must be motivated and approved by management.

- Costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.

- Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

18. Vehicles used for political office-bearers

- The threshold limit for vehicle purchases relating to official use by political office -bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.

- The procurement of vehicles in sub -bullet point (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

- Before deciding to procure a vehicle as contemplated in sub -bullet point (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
  (a) status of current vehicles;
  (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in sub -bullet point (1);
  (c) extent of service delivery backlogs;
  (d) terrain for effective usage of the vehicle; and
  (e) any other policy of council.

- If the rental referred to in sub -bullet point (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

- Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

- Notwithstanding sub -bullet point (5), the municipality may replace a vehicle
  for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a

detailed mechanical report by the vehicle manufacturer or approved dealer.

- the accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

19. <u>Cost containment on other related expenditure items</u>

- The Accounting Officer to ensure that all commodities and products that the National Treasury has designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.

- Periodic or quarterly threat assessments against councillors and key officials should be undertaken by the appropriate authority (SAPS) and reported to the Speaker's Office. Approval for security measures must be informed by such reports, if paid for from municipal funds.

- Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies.

- Printing of documents should carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.

- Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount.

- Every effort must be made to recover debt from consumers before write-off. Municipalities to avoid the excessive usage of debt collectors and improve its internal capacity for debt collection.

- Ensure synergy between municipal divisions or departments to avoid duplication of processes and efforts.

- Where possible the warranties on vehicle and computer equipment should be extended instead of procuring new ones.

- Labour saving devices should be shared to optimize the capacity utilization of each device.

- Purchasing of newspapers and other publications for municipal employees to limited and stopped.

- Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be

introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.

20. General measures to be implemented

- In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.

- E-Learning methods should be considered for in-house training.

- Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.

- Where possible, transversal contracts must be used for the procurement of goods and services.

- Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.

- Bulk purchases should be considered for regularly consumed inventory.

21. Enforcement Procedures

Failure to implement or comply with this Policy may result in any official of the municipality, political office bearer that authorised or incurred any expenditure contrary to this policy being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

21. Monitoring and evaluation

- The cost containment measures applied by the municipality must be included in the municipal in -year budget reports and annual costs savings disclosed in the annual report.

- The Directors must report on the implementation of the Cost Containment Policy, to the Portfolio Committees monthly (attached template as Annexure A).

- CFO must report on the implementation of the Cost Containment Policy, to Council on a quarterly basis, and the report must be sent

to National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to Council (attached template as Annexure A).

ANNEXURE A

KOUGA local municipality
Good Governance through Service Excellence

Cape St Francis
Hankey
Humansdorp
Jeffreys Bay
Loerie
Oyster Bay
Patensie
St Francis Bay
Thornhill

Postal: PO Box 21, Jeffreys Bay, 6330
Tel: 042 200 2200 / 042 200 8300
Fax: 042 200 8606
Email: registry@kouga.gov.za
Website: www.kouga.gov.za

IMPLEMENTATION OF COST CONTAINMENT PLAN TEMPLATE (ANNEXURE "A")

CONTROL MEASURES	PROJECT/ITEM DESCRIPTION/U KEY NR	BUDGET ALLOCATION	COST SAVINGS	REPRIORITISATION COST OF SAVINGS
1. Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners				
2. Travel claims				
3. Essential Vehicle User Scheme				
4. Overtime				
5. Catering Costs				
6. Events, Advertising and sponsorships				
7. Attendance of Conferences, Seminars & Workshops				
8. Municipal Workshops, Retreats, Strategic Sessions and Internal training				

9. Projects /Programme Launches				

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local municipality
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Draft Budget Implementation and Management Policy

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Document Control

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DEFINITIONS

"Accounting Officer" means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, No. 117 of 1998 and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act, No 32 of 2000 as well as Section 60 of the Local Government: Municipal Finance Management Act, No. 56 of 2003.

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

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

"**Approved budget**" means an annual budget -
(a) approved by a municipal council in terms of section 24 of the MFMA; or
(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.
"**Basic Municipal Service**" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"**Budget-related Policy**" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-
(a) the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal
Systems Act;
(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
(c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
"**Budget Year**" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

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"**Chief Financial Officer**" means an official designated by the Accounting Officer as the Chief Financial Officer in terms of section 80(2)(a) of the MFMA;

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

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

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

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

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

"Financial statements" means statements consisting of at least - (a) a statement of financial position; (b) a statement of financial performance; (c) a cash-flow statement;
(d) any other statements that may be prescribed; and
(e) any notes to these statements;

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

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

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

"Irregular expenditure" means-
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in Accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

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(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"Investment", in relation to funds of a municipality, means-

(a) the placing on deposit of funds of a municipality with a financial institution; or

(b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

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

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

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

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

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

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

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

"Municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness intended to be used in trade;

"Municipality"-

(a) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or

(b) when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

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

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

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

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

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

"Overspending"

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

"Past financial year" means the financial year preceding the current year;

"Quarter" means any of the following periods in a financial year:
(a) 1 July to 30 September;
(b) 1 October to 31 December;
(c) 1 January to 31 March; or
(d) 1 April to 30 June;

"Service delivery and budget implementation plan" means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-
(a) projections for each month of-
(i) revenue to be collected, by source; and

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

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

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

"Unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-
(a) overspending of the total amount appropriated in the municipality's approved budget; (b) overspending of the total amount appropriated for a vote in the approved budget;
(c) expenditure from a vote unrelated to the department or functional area covered by the vote; (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
(f) a grant by the municipality otherwise than in accordance with the MFMA;

"Virement" means the process of transferring an approved budgetary provision from one operating cost item or capital project to another within a vote or across a vote during a municipal financial year due to changed circumstances from which prevailed at the time of the previous budget adoption.

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

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1. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), state that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year.

According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analyzed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realize diverse community needs. Central to this, the formulation of a municipality budget must take into account the government's macro-economic and fiscal policy fundamentals.

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

2. OBJECTIVE

The objective of the budget policy is to set out:

a) The principles which the municipality will follow in preparing each medium-term revenue and expenditure framework budget;
b) The responsibilities of the executive mayor, the accounting officer, the chief financial officer and the directors in compiling the budget; and
c) To establish and maintain procedures to ensure adherence to Kouga Municipality's Integrated Development Plan (IDP) review and budget processes.

3. BUDGETING PRINCIPLES

a) Kouga Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF)) that will be reviewed annually and approved by Council and;
b) The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.
c) The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlogs.
d) The level of property rates and tariff increases to ensure the delivery of municipal services on a financially sustainable basis.
e) The need to enhance the municipality's revenue base.
f) In accordance with Section 19 of the Municipal Finance Management Act, the relevant Directors must submit comprehensive reports in relation to new projects, inter alia; dealing with the total project costs, funding sources, future operating budget implications and associated tariff implications, before Council finally approves the implementation of any new projects.

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g) The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels;

h) Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget;

4 BUDGET PREPARATION PROCESS

4.1 FORMULATION OF THE BUDGET

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

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

c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium-term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

d) The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March of each year (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit, control, debt collection, indigents, investments and cash management, borrowings, etc.)

e) The Municipal Manager, Chief Financial Officer and directors undertake the technical preparation of the budget.

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

g) The budget must reflect the realistically anticipated revenues by major source for the budget year concerned.

h) The budget must be prepared based on the seven segments as prescribed by the mSCOA Regulations (i.e Project, Item, Function, Funding, Costing, Region and Municipal Standard Classification Segments).

i) The budget must be project based for both Operating and Capital Budgets, meaning that the budget will have to be at a Project Level as opposed to historically being at Item or Vote Level.

j) Each project must be aligned to the Integrated Development Plan (IDP), state which National KPA and municipal KPA it is addressing; and reflect which ward the project relates to.

k) The Operating and Capital Budgets must be prepared in terms of the National Treasury requirements of multi-year (three-year) budgeting.

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4.2 PUBLIC PARTICIPATION PROCESS

(1) When the annual budget has been tabled, the municipal council must consider any views of—

(a) the local community; and
(b) the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.

(2) After considering all budget submissions, the council must give the mayor an opportunity—

(a) to respond to the submissions; and
(b) if necessary, to revise the budget and table amendments for consideration by the council.

(3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.

(4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

4.3 APPROVAL OF THE BUDGET

a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).

b) The council resolutions must include:

(i) Setting of municipal tariffs for the budget year;
(ii) Measurable performance objectives for revenue from each source and for each vote in the budget;
(iii) Changes to the municipality's budget-related policies.

c) Should the municipality fail to approve the budget before the start of the budget year, the executive mayor must inform the MEC for Finance that the budget has not been approved.

d) The budget tabled to Council for approval shall include the following supporting documents

(i) Draft resolutions approving the budget; and levying property rates, other taxes and tariffs for the financial year concerned;
(ii) Measurable performance objectives for each budget vote, taking into account the municipality's IDP;
(iii) The projected cash flows for the financial year by revenue sources and expenditure votes;

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(iv) Any proposed amendments to the IDP;
(v) Any proposed amendments to the budget-related policies;
(vi) The cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the Chief Financial Officer, and other senior managers;
(vii) Particulars of any proposed allocations or grants to other municipalities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on; and
(viii) Particulars of the municipality's investments

4.4 PUBLICATION OF THE BUDGET

The Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as place it on the municipal website, so that it is accessible to the public.

4.5 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

a) The Executive Mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council.

b) The SDBIP shall include the following components:
(i) Monthly projections of revenue to be collected for each source;
(ii) Monthly projections of expenditure (operating and capital) and revenue for each vote;
(iii) Service delivery targets and performance indicators for each quarter;

5. CAPITAL BUDGET

5.1 BASIS OF CALCULATION

a) The zero-based method is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.
b) The annual capital budget shall be based on realistically anticipated revenue, which should be equal to the anticipated capital expenditure in order to result in a balanced budget.
c) The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating

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expenditure to be incurred resulting directly from the capital expenditure, should be carefully analyzed when the annual capital budget is being compiled.

5.2 BUDGET PRINCIPLES

a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and has a useful life in excess of one year.

b) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

c) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

d) Before approving a capital project, the Council must consider:
   (i) The projected cost of the project over all the ensuing financial years until the project becomes operational, future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

e) Before approving the capital budget, the council shall consider:
   (i) The impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans;
   (ii) Depreciation of fixed assets;
   (iii) Maintenance of fixed assets; and
   (iv) Any other ordinary operational expenses associated with any item on such capital budget.

f) Council shall approve the annual or adjustment capital budget only if it has been properly cash funded.

g) Capital projects will not be considered for inclusion in the Budget, unless the Directorates clearly indicate in their budget submissions, accurate Ward Numbers in which the projects will be implemented.

h) New Capital Projects will not be considered for inclusion in the Capital Budget, without a proper procurement plan.

i) Where funds of new Capital Projects or/and Operational Projects exceed a value of R 200,000, the Project Budget Request Form must be filled and be submitted in line with the requirement of the budget process.

j) Directorates are required to submit documentary evidence for contractually committed Capital Projects for inclusion in the Capital Budget. This relates to Capital Projects, which are anticipated to be contractually committed prior to 30 June of each financial year, with completion dates continuing into the next financial year and later financial years.

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5.3 FUNDING OF CAPITAL BUDGET

The main sources of funding for capital expenditure are: -

- Capital Replacement Reserves;
- Borrowings;
- Government grants and subsidies;
- Public donations and contributions; and
- Operating revenue.

Capital Projects will only be considered for inclusion in the Capital Budget based upon written confirmation that the relevant grant, subsidy, public contribution and donation has been secured. The relevant Director will be required to provide written confirmation that the grant and subsidy funding has been allocated by the relevant government agency/donor.

6. OPERATING BUDGET

6.1 BASIS OF CALCULATION

a) The zero-based approach is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year.

b) The annual operating budget shall be based on realistically anticipated revenue, which should be equal to the anticipated operating expenditure in order to result in a balanced budget.

c) An income-based approach shall be used where the realistically anticipated income would be determined first and the level of operating expenditure would be based on the determined income, thus resulting in a balanced budget.

6.2 BUDGET PRINCIPLES

a) The municipality shall with each annual and adjustments budget, budget for the contribution to:

(i) Provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial;

(ii) Provision for bad debts in accordance with its rates and tariffs policies, collection levels and GRAP accounting standards;

(iii) Depreciation, costing segmentation implementation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;

(iv) At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance, subject to affordability

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b) When considering the draft annual budget, council shall consider the impact which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

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

d) The operating budget shall reflect the impact of the capital component on:

(i) Depreciation charges
(ii) Repairs and maintenance expenses
(iii) Interest payable on external borrowings.
(iv) Other operating expenses.

e) The employee related costs must be prepared, based on the staff in service, including positions advertised, but not yet filled and critical vacancies. the employee related costs forecast must be in line with the South African Local Government Bargaining Council agreement.

f) The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

The budget may be financed only from:

a) Realistically anticipated revenues, based on current and previous collection levels;

b) Cash-backed funds available from previous surpluses where such funds are not required for other purposes; and

c) Borrowed funds in respect of the capital budget only.

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to committed capital expenditure;

b) Only committed capital budget may be rolled over to the next budget year;

c) Conditions of the grant fund shall be taken into account in applying for such roll over of funds;

d) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year in August after taking into account expenditure the previous financial year;

e) No unspent operating budget shall be rolled over to the next budget year.

9. ADJUSTMENT BUDGET

a) The Chief Financial Officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive

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mayor on the revision of the IDP and the budget-related policies where these are indicated.

(i) Council may revise its annual budget by means of an adjustments budget in terms of section 28 of the MFMA and according to the timelines of the Municipal Budget and reporting regulations section 23;

(ii) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under- collection of revenues arises or is apparent;

(iii) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with item 2 of Section 10 of the Municipal Budget and Reporting Regulations;

(iv) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Executive Mayor;

(v) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council; and

(vi) Only the Executive Mayor shall table an adjustments budget which shall be done at least once a year and be submitted to Council.

b) An adjustments budget must contain all of the following:

(i) An explanation of how the adjustments affect the approved annual budget;

(ii) Appropriate motivations for material adjustments;

(iii) An explanation of the impact of any increased spending on the current and future annual budgets;

(iv) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan;

(v) Unauthorised expenses may be authorised in an adjustments budget; and

(vi) In regard to unforeseen and unavoidable expenditure, the following apply:

- The Executive Mayor may authorise such expenses in an emergency or other exceptional circumstance;
- The Municipality may not exceed 3% of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- These expenses must be reported by the Executive Mayor at the next Council meeting;
- The expenses must be appropriated in an adjustments budget; and
- Council must pass the adjustments budget within sixty days after the expenses were incurred.

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10. BUDGET IMPLEMENTATION

10.1 MONITORING

a) The Accounting Officer with the assistance of the Chief Financial Officer and other directors is responsible for the implementation of the budget, and must take reasonable steps to ensure that:
   (i) Funds are spent in accordance with the budget;
   (ii) Expenses are reduced if expected revenues are less than projected; and
   (iii) Revenues and expenses are properly monitored.

b) The Accounting Officer with the assistance of the Chief Financial Officer must prepare any adjustments budget when such budget is necessary and submit it to the Executive Mayor for consideration and tabling to Council.

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

10.2 REPORTING

10.2.1 Monthly budget statements

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

   This report must reflect the following:
   (i) Actual revenues per source, compared with budgeted revenues;
   (ii) Actual expenses per vote, compared with budgeted expenses;
   (iii) Actual capital expenditure per vote, compared with budgeted expenses;
   (iv) Actual borrowings, compared with the borrowings envisaged to fund the capital budget;
   (v) The amount of allocations received, compared with the budgeted amount;
   (vi) Actual expenses against allocations, but excluding expenses in respect of the equitable share;
   (vii) Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
   (viii) The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget;

(ix) Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised; and

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

10.2.2 Quarterly Reports

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

10.2.3 Mid-year budget and performance assessment

a) The Accounting Officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality and the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.

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

c) After considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan, the Accounting Officer may in such report make recommendations as to whether an adjustments budget is necessary.

11. RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

11.1 Without deviating in any way from the legal responsibilities of the Municipal Manager as Accounting Officer, the Chief Financial Officer shall be responsible for preparing the annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the investments policy), and shall be accountable to the Municipal Manager in regard to the performance of these functions. The Municipal Manager shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer into these budget processes.

11.2 In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, 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 – in so far as the organisational structure permits

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– with the prescribed budget format of National Treasury.

a) The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for bad debts, and accrued leave entitlements.

b) The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget.

c) The Chief Financial Officer shall submit these monthly reports to the Executive Mayor, Finance Committee and Mayoral Committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

d) The Chief Financial Officer shall provide technical and administrative support to the accounting officer and Executive Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes which must precede the approval
of such budgets.

e) 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 Executive Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Executive Mayor on the revision of the IDP and the budget-related policies where these are indicated.

f) The Chief Financial Officer shall make recommendations on the financing of the 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.

g) The Chief Financial Officer shall determine the basis for allocating overhead expenses not directly chargeable to votes.

h) The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

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12. Budget Assumptions

The following assumptions forms part of compiling the Budget of Kouga Municipality to determine the cashflows of the Municipality:

- Employee related costs – 1 month payment of pension and medical aid contributions will be paid in the next financial year
- All creditors unpaid at the end of the previous financial year will be paid in the 1st month of the next year
- Contracted services will be deferred for 1 month to the next financial period
- Bulk Electricity will be deferred by 1 month to the next financial period
- Water inventory will also be deferred by 1 month.
- The main source of funding will be allocated as follows:
  - Trading services to fund itself
  - EQS to fund the following expenditures in terms of priority
    - Equitable share allocations to indigent households
    - Councillor remuneration
    - Employee related costs
  - Property rates to fund the balance of operational expenditure

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CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY

KOUGA local municipality
Good Governance through Service Excellence

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PREAMBLE

Whereas section 152 (1) (b) of the Constitution of the Republic of South Africa, Act 108 of 1996 (*'the Constitution'*) provides that one of the objects of local government is to ensure the provision of services to communities 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 public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

- 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 No. 32 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 services fees, surcharges on fees, rates on property and 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 the 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 and Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, supervisory authority and Implementing authority.

Hereby is adopted the Customer Care, Credit Control and Debt Collection Policy of the Kouga Municipality.

DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

"***Act***" - The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time.

"***Agent*" -** In relation to the owner of a property, means a person appointed by the owner of the property:

i) to collect income in respect of the property on behalf of the owner; or
ii) to effect payments in respect of the property on behalf of the owner

"Arrangement" - 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.

"Authorised Representative" - Person or institution legally appointed by the Council to act or to fulfil a duty on its behalf.

"***CFO***" - Person appointed as the Chief Financial Officer of the Municipality or his or her nominee.

"***Council***" - The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa, Act 108 of 1996, of the Kouga Municipality established by part 10 of provincial notice 110, dated 2 December 2000;

"***Credit Control***" - All the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

"***Customer***" - Any owner/landlord or occupier of a property to which property the Municipality has agreed to supply services or already supplies services, and any customer of a property not receiving services but for which property services had been made available, and any person liable to the Municipality for taxes, rates or other charges.

"***Defaulter***" - Any person owing the Council arrear monies in respect of rates and / or service charges;

"***Engineer***" - The person in charge of the civil and/or electrical component of Council

"***Equipment***" - A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.

~~*"Implementing Authority"*~~ ~~*Means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Systems Act.*~~

"***Interest***" - A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;

"***Municipal Account***" - An account rendered specifying charges for services Rendered specifying charges for services provided by the Municipality or any authorised and contracted service provider, and/or assessment rates levies.

"***Municipality***" - Includes a Municipality referred to in section 155 (6) of the Constitution;

"***Municipal Manager***" - The person appointed as Municipal Manager in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and include any person acting In that position or to whom authority was delegated;

"***Municipal Services***" - Those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

"***Occupier***" - Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property.

"***Owner***" - *(a)* The person in whom from time to time is vested the legal title to the premises;

(b) In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;

(c) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;

(d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;

(e) Regarding:-

i. A portion of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or

ii. A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;

(f) Any legal person including but not limited to-

A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;

i. Any State department;
ii. Any Council or Board established in terms of any legislation applicable to the Republic of South Africa; iii. Any Embassy or other foreign entity;

"***Premises***" (property) - Includes any piece of land, the external surface boundaries of which are delineated on-

i) A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); or

ii) A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

~~"***Unreliable customer***" - Includes an account holder, who according to his or her payment record fails to settle his or her municipal account by the due date or who is in arrears with payments due to the~~

~~municipality or who tampers or interferes with metering equipment, seals or the supply of Municipal services.~~

"***Supervisory Authority***" - *Means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Systems Act.*

1. GENERAL OBJECTIVES

The objectives of this policy are to: -

1.1 provide a framework within which the Municipality can exercise its executive and legislative authority with regard to credit control and debt collection;

1.2 ensure that all monies due and payable to the Municipality are collected and used to deliver services in the best interest of the community; residents and customers; and, in a financially sustainable manner;

1.3 provide a framework for customer care;

1.4 describe credit control measures;

1.5 outline debt collection procedures and mechanisms; and

1.6 set realistic targets for debt collection.

2. PRINCIPLES

In the execution of its Customer Care, Credit Control and Debt Collection Policy, the Municipality will apply the following principles:

2.1 The administrative integrity of the municipality must be maintained at all times. The Council is responsible for the approval of policies, while it is the responsibility of the Municipal Manager to implement these policies.

2.2 All customers must complete an official application form, formally requesting the municipality to connect them to the service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.

2.3 Only owners' accounts will be opened, whilst all tenant accounts will be phased out over time.

2.4 A copy of the application form, conditions of supply and extracts of the relevant Council's customer care, credit control and debt collection policy and by-laws must be handed to every customer upon request, and at such fees as may be prescribed by Council from time to time.

2.5 Billing should be accurate, timeous and understandable.

2.6 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

2.7 The customer is entitled to efficient, effective and reasonable responses to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.

2.8 Enforcement of payment must be prompt, consistent and effective.

2.9 Unauthorised consumption, illegal connections and reconnections, the tampering with or theft of meters and service supply equipment, will lead to disconnections, penalties, loss of rights and criminal prosecutions.

2.10 Incentives and disincentives may be used in the collection process.

2.11 The collection process must be cost-effective.

2.12 Performance should be regularly reported by the Municipal Manager and the Executive Mayor.

2.13 Non-payment of accounts will serve to, inter alia, categorize customers according to their credit risk and also to determine the relevant levels of services and deposits required.

3. DUTIES AND FUNCTIONS

3.1 Duties and Functions of Council:

3.1.1 To consider and approve by-laws to give effect to the Council's policy.

3.1.2 To be a supervisory authority to monitor the performance of the Municipal Manager /Executive Mayor regarding customer care, credit control and debt collection.

3.2 DUTIES AND FUNCTIONS OF EXECUTIVE MAYOR

3.2.1 To monitor the performance of the Municipal Manager in implementing the policy and by-laws.

3.2.2 To review and evaluate the policy and by-laws in order to improve the efficiency of customer care, credit control and debt collection mechanisms, processes and procedures.

3.3 DUTIES AND FUNCTIONS OF THE MUNICIPAL MANAGER

3.3.1 To implement efficient customer care management systems.

3.3.2 To implement the customer care, credit control and debt collection policy.

3.3.3 To maintain an appropriate accounting system.

3.3.4 To bill customers.

3.3.5 To demand payment by due dates.

3.3.6 To raise penalties for defaulters.

3.3.7 To appropriate payments received.

3.3.8 To collect outstanding debt.

3.3.9 To provide different payment methods.

3.3.10 To determine customer care, credit control and debt collect measures.

3.3.11 To determine appropriate work procedures for, inter alia, public relations, reminders, final demands, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.

3.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).

3.3.13 To monitor contracts with service providers in connection with credit control and debt collection.

3.4 DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

3.4.1 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality, on or before due dates.

3.4.2 To allow municipal officials reasonable access to their properties to execute municipal functions at a time that is agreeable to both the consumer and municipal officials.

3.4.3 To comply with the policy and by-laws and other legislation related to customer care, credit control and debt collection.

3.4.4 To refrain from damaging and or tampering with municipal services and property.

3.4.5 To inform the Municipality in writing of any changes in address or contact details.

3.5 DUTIES AND FUNCTIONS OF COUNCILLORS

3.5.1 To adhere to the Code of Conduct for Councillors.

3.5.2 To pay amounts owing in respect of municipal rates, taxes and services and not to default on payments. The Municipality may deduct any outstanding amounts from a Councillor if the Councillor is in arrears for more than three (3) months.

3.5.5 The normal credit control procedures will apply to any arrear account of a Councillor.

3.6 DUTIES AND RESPONSIBILITY OF MUNICIPAL STAFF MEMBERS

3.6.1 To always pay amounts that are owed in respect of municipal rates, taxes and services and not to default on payments.

3.6.2 The municipality may deduct any outstanding amounts from a staff member, if the staff member is in arrears for more than three (3) months.

3.6.3 The normal credit control procedures will apply to any arrear account of a municipal staff member.

3.6.4 Where the Municipality provides temporary employment to members of the community who are in arrears with payments for Municipal rates and services,

they will be required to enter into an agreement, to pay 20% of their gross remuneration towards the arrear debts.

4. AREA OF APPLICATION

This policy applies throughout the area of the Municipality.

5. CUSTOMER CARE POLICY

5.1 OBJECTIVES

The objectives of the Customer Care Policy are:

- to focus on the needs of the consumer in an accountable and pro-active manner, to improve the payment of service fees and

- to establish a positive and cooperative relationship between the persons responsible for payment for services and the municipality and, where applicable, the service provider.

5.2 APPLICATION FOR SERVICES

5.2.1 Consumers who require a service must enter into a written service agreement with the municipality.

5.2.2 The application process must occur ten (10) days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to this timeframe may result in customers not having the services available when occupation is taken.

5.2.3 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.

5.2.4 Consumers who illegally consume services without a service agreement, will be subject to punitive action.

5. 3 CUSTOMER SERVICE AGREEMENTS

5.3.1 Customer service agreements are those agreements that will be entered into from time to time between the customer and the municipality for the supply of municipal services.

5.3.2 The contents of the agreement include this policy, as well as:

An undertaking by customers:

- That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees;
- That any ~~alleged~~ non-receipt of an account does not stop the collection process;

An undertaking by Council:

- That it will deliver accounts to customers.
- That it will inform customers that they are required to request statements if they do not receive an account.

5.3.3 Only owners' accounts will be opened, and all tenant accounts will be phased out over time.

5.4 DEPOSITS

- Consumer Deposits

5.4.1 The deposits are payable when new customers sign-on and when existing customers move to a new supply address.

5.4.2 Customers must pay a deposit equivalent to an amount as determined by Council, from time to time.

5.4.3 The municipality may increase deposits to an amount equivalent to one month's billing.

- Building Deposits

5.4.4 Building deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of Council's property or infrastructure.

5.4.5 Deposits shall be forfeited to the Council if not claimed by the customer within 3 years of the occupation certificate issued to the customer.

5.4.6. The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.

5.4.7 All building deposits should be recorded in a suitable register to facilitate

future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided

5. 5 ACCOUNTS AND BILLING

5.5.1 Customers will receive one consolidated bill for all services to a property, which is situated within the boundaries of the municipality.

5.5.2 Accounts are produced in accordance with the meter reading cycles.

5.5.3 An account will be rendered each month in cycles of approximately 30 days.

5.5.4 The Municipality will undertake to have the accounts delivered to all consumers. However, non-receipt of an account does not prevent interest charges and debt collection procedures. In the event of the non-receipt of an account, the onus rests on the account holder to obtain a copy of the account at a prescribed fee, before the due date. The applicable fee might be waived exceptional circumstances.

5.5.5 Accounts must be paid on the due date as indicated on the account. Interest on arrears will accrue after due date if the account remains unpaid, irrespective of the reason for non-payment.

5.5.6 Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account on or before the due date and not later than the close of business.

5.5.7 Where the Municipality provides temporary employment to members of the community who are in arrears with payments for Municipal rates and services, they will be required to enter into an agreement, to pay 20% of their gross remuneration towards the arrears of debts.

5.5.8 Where incorrect debits were raised, the accounts under query will be rectified for the current financial year and two preceding years.

5.5.9 Adjustments will be based on the consumption 6 months after the leakage took place or alternatively on the consumption 6 months before the leakage took place.

5.5.10 Adjustments made to the customer's services account, where the adjustment is in the customer's favour will be made for the preceding three years from the date the dispute was registered.

5.5.11 Adjustments made to the customer's services account, where the adjustment is in the municipality's favour will be made for ~~the twelve preceding months (1year)~~ preceding three (3) years.

5.5.12 Where the customer caused the adjustment, for example: the by-passing of meters or supplied incorrect metering information, then the adjustment will be made for the preceding three years.

5.5.13 In the case of multiple ownership, all owners are jointly and severally liable for the payment of the account.

5.5.14 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

5.5.15 Where any payment is made by a negotiable instrument and is later dishonoured by a bank, the Municipality or its authorised agent:-

- Must recover the bank charges related to the transaction against the account of the customer; and
- Shall regard such an event as a default on a payment.

5.5.16 The Municipality or its authorised agent must, if administratively possible, issue a free current statement to a customer on request, and any other duplicate statements or history details at a cost as determined by Council and the tariff listing.

- After a finalisation of a customer's municipal account, there is credit/debit balance on the account:
- The municipality may transfer such balance to any other existing account on a property owned by that customer, without authorisation of that customer. If no other account exists, then the credit will be refunded to the customer, only on receipt of bank confirmation details of the customer's bank account.

5.5.17 Consumers will be notified of their unpaid accounts prior to the commencement of the debt collection process.

5.5.18 Non-payment of the account will result in debt collection action in terms of this policy, and the customer will be responsible for costs of collection.

5.6. METERING OF CONSUMABLE SERVICES

5.6.1 The municipality may introduce various metering equipment and customers may be encouraged to convert to a system preferred by the municipality.

5.6.2 Customers who default (fail to pay by a due date) may be required by the municipality to convert to a pre-paid system.

5.6.3 Prepayment metering is the preferred installation for all new domestic accounts and where applicable, business accounts.

5.6.4 Meters (conventional) will be read monthly in cycles of approximately 30 days. Should circumstances prevent reading, the Municipality is entitled to estimate a reading that is within reason, comparable to past consumption for a maximum of four (4) successive months.

5.6.5 A Customer is responsible to ensure access to metering equipment at a time that is agreeable to the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter), if satisfactory access is not possible.

5.6.6 Voluntary/Self readings will be permitted provided that:

5.6.6.1 the readings are submitted monthly to the dedicated e-mail or municipal application, if available address accompanied by a clear picture of the meter number and reading.

5.6.6.2 the convenience of submitting voluntary/self readings will be cancelled automatically without notice if the customer fails to submit the readings as per 5.6.6.1 above for two consecutive months.

~~5.6.5.3 These will be permitted provided the municipality obtains any final reading, should the customer move to another supply address.~~

~~5.6.5.4 Customers may be liable for a fee to cover the costs of obtaining a reading if no prior warning is given and special arrangements are required to obtain a reading.~~

~~5.6.5.5 The Municipality is entitled to make suitable adjustments to the~~

~~readings should the debtor fail to ensure that a final reading is obtained.~~

~~5.6.5.6 An audit reading during the normal reading cycles must be obtained once every six months. If a special audit reading becomes necessary, this will be done at the cost of the consumer.~~

5.6.5.7 ~~The customer may elect to supply voluntary readings subject to compliance with the rules. The Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.~~

5.6.6.3 Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

5.7. VALUATION

All properties within the boundaries of the Kouga Municipality are to be valued in terms of the legislation, applicable to the valuation of properties for the purpose of levying property rates.

5.8 CUSTOMER ASSISTANCE PROGRAMMES

These are programmes that the Municipality has designed to assist customers to meet their obligations, such as:

5.8.1 WATER LEAK REBATE

~~Excess~~ charges due to water leaks on the account of a domestic consumer will be ~~recalculated~~ ~~in terms of the "Water charge on water usage and sewerage Leak" tariff~~, reduced by 90% of the excess (above average consumption) in respect of water and sewerage provided that the following conditions are applied:

- If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property. This, however, does not apply to Indigent customers.

- That a certificate from a registered plumber or, in the event that the leak was repaired by someone other than a registered plumber, a sworn affidavit must reach the Municipality within ten (10) days of the leak having been repaired with proof of the leak in the form of pictures

etc. The technical department must firstly investigate and report on such instances.

- Excess will be calculated ~~Adjustments will be~~ based on the consumption 6 months ~~after the leakage took place or alternatively on the consumption 6 months~~ before the leakage took place.

- Relief on a water leak will only be considered once within a 12 month cycle.

- The customer has the responsibility to control and monitor his/her water consumption.

5.8.2 RATES REBATE

Rebates on rates may be granted by Council in terms of Council's ~~rating~~ approved Property Rates policy.

5.8.3 ARRANGEMENTS FOR SETTLEMENT

5.8.3.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts, and they must agree to the conversion to a prepayment meter.

5.8.3.2 Where a prepayment meter is installed and there are defaults on payments, the arrears can be collected;

- monthly over an agreed period; or

- by adding the debt as a surcharge to the prepaid electricity cost, and be repaid by allocating an amount, as approved by council from time to time, of each purchase of prepaid electricity until the debt is fully recovered:

5.8.3.4 The Municipality reserves the right to raise the deposit requirements of customers who seek arrangements.

5.8.3.5 Where there is a tenant account, the municipality may consolidate that account with the owner's account.

5.8.3.6 The terms applicable for the settlement of arrear debt will be as approved by Council from time to time.

5.9 PAYMENT OF RATES ANNUALLY

5.9.1 Owners may pay the property rates annually on or before the ~~31st of August~~ 30th of September each year but must apply in writing.

5.9.2 Interest shall accrue on all annually paid rates accounts if they are not paid by the due date as indicated on the account.

5.10 INDIGENT ASSISTANCE SCHEME

An account holder may apply to the Municipality, in the prescribed manner, as per the approved Indigent Support Policy.
~~to be declared indigent provided that the following conditions are compiled with:~~

- ~~That the gross household income does not exceed the poverty threshold value as determined by the Council's Indigent Policy.~~
- ~~That the Municipality may inspect the property occupied by the applicant, in respect of which municipal services are rendered to assess the merits of the application.~~
- ~~Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal with the Chief Financial Officer, within a period of ten (10) days from the date on which the aforesaid decision has been communicated to him/her.~~

5.11 FREE BASIC SERVICES

Council will provide free basic services to indigent debtors, as determined in the Indigent Support Policy.

5.12 COMMUNICATION

5.12.1 ~~The municipality will at its own cost make the Customer Care, Credit Control and Debt Collection policy brochure available to the community.~~

The approved Customer Care, Credit Control and Debt Collection policy will be available to the community at all revenue enquiry offices, the municipal website and offices of the ward councillors.

5.12.2 Councillors may from time to time, address ward committees on the contents of the policy and any amendments thereto. Other platforms such as social media may also be utilized.

5.12.3 It is the responsibility of the consumer to ensure that his/her postal address and other contact details are correct.

5.13 PAYMENT FACILITIES AND METHODS

5.13.1 Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his/she designate has the discretion to open and close offices as required. The decision to open or closing of any office must be reported to the ward councillors.

5.13.2 The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. in addition, the consumer must take into account the transfer time of the particular agent.

5.13.3 A range of payment methods are available and may be extended as required, subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.

5.13.4 The Chief Financial Officer shall allocate payments according to pre-determined priorities.

5.14 ENQUIRIES, APPEALS AND DISPUTES

5.14.1 Any resident or consumer who may feel aggrieved concerning his/her account may address a grievance / appeal to the Municipal Manager or

Chief Financial Officer or visit any Customer Care Office provided by the municipality.

5.14.2 A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account. An interim payment similar to the average account must be paid by the due date, pending finalisation of the enquiry. Failure to make a payment will result in debt collection action being instituted against the customer.

5.14.3 Depending on the nature of the enquiry and the resources available, the enquiry must receive a response within 10 days.

5.14.4 If a customer has received a response and is still convinced that the account is not correct; the customer may approach the relevant Ward Councillor to assist with the enquiry.

5.14.5 As a last resort an accountholder may lodge a dispute, in writing, on the formal Section 102 Dispute Form available at the municipal offices upon request.

- No dispute will be registered verbally whether in person or over the telephone;
- The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality;
- The full nature of the dispute must be described in the correspondence referred to above;
- A written acknowledgement of receipt of the dispute must be provided to the debtor.
- All disputes must be concluded by the Chief Financial Officer;
- The Chief Financial Officer's decision is final and will result in the immediate implementation of any debt collection and credit control measures after the debtor is provided with the outcome of the dispute; and the same debt will not be regarded as a matter of dispute.
- The outcome of the dispute must be communicated to the ward councillor.

5.14.6 A consumer may appeal against the finding of the municipality or its legal agent in terms of sub-paragraph 5.14.5.

5.14.7 An appeal and request in terms of sub-paragraph 5.14.6 must within twenty one (21) days after notification of the findings mentioned in sub-paragraph 5.14.5 be addressed to and submitted to the office of the municipal manager and must:

(a) set out the grounds for the appeal; and

(b) be accompanied of any security determined for the testing of the metering device, if applicable.

5.14.8 The appeal must be finalized within 14 working days of receipt of an appeal.

5.15 TENDERS FOR BUSINESS

The Procurement Policy and Tender Conditions of the Municipality will include the following:

5.15.1 When inviting tenders for the provision of services or delivery of goods,

potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtains from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of noncompliance) have been made for payment of any arrears.

5.15.2 No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during the contract period.

5.15.3 A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

5.16 BUILDING PLANS

5.16.1 Building plan applications will be rejected if municipal accounts are in arrears, this includes arrears on payment arrangements.

5.16.2 No arrangements to settle the debt will be accepted after an application was declined.

6. CREDIT CONTROL SECTION

6.1 OBJECTIVES

The objectives of the credit control section are to –

- Implement procedures that will arrest the escalation in arrear debt;
- Limiting financial risk, by implementing effective controls.

6.2 PERSONAL CONTACT

6.2.1 Within its affordability constrains, Council will endeavour to notify customers of their arrears situation by telephonic means, electronic contact or by delivering a final notice.

6.2.2 During the contact customers will be informed of their rights and obligations in terms of the Customer Care, Credit Control and Debt Collection Policy, including making arrangements and applying for indigent support.

6.2.3 Such contact is not a right and disconnection of services and other collection proceedings may continue, in the absence of such contact.

6.3 DISCONNECTION OF SERVICE(S)

6.3.1 Customers who are in arrears with their municipal account(s) and who have not made arrangements with the Municipality will have their supply of electricity and water, and other Municipal services, restricted or disconnected;

6.3.2 Pending indigents will not be subjected to credit control measures as per 6.3.1 above. Outstanding debt prior approval will be collected via auxiliary payments through pre-paid purchases on a 50:50 ratio.

6.3.3 The Municipality may disconnect municipal services after issuing a ~~seven day~~ fourteen (14) day written notice.

6.3.4 Council reserves the right to deny ~~or restrict~~ the sale of electricity or the restrict the sale of water to customers who are in arrears with their rates or other municipal charges;

6.3.5 Upon the payment of all arrears, or the conclusion of acceptable arrangements and the disconnection/blocking and reconnection/unblocking fee the service will be reconnected as soon as conveniently possible;

6.3.6 All costs related to notices such as restrictions, disconnections reconnections and pre-paid blocks will be determined by the tariffs approved by the Municipal Council, and will be payable by the customer.

6.3.7 The deposit of any defaulter will be adjusted and brought into line with the policy and tariff structure of the Municipality.

6.4 TERMINATION OF SERVICE(S)

6.4.1 It is the responsibility of the customer to notify the Municipality when the Municipal services are required or no longer required due to the sale/purchase of the property or other reasons.

6.4.2 The Municipality will not get involved in disputes between an owner and a tenant or occupier in respect of the disconnection of services. Services will only be disconnected in terms of the Credit Control Policy, and will be reconnected on payment of outstanding debt, by any

party, irrespective of who the accountholder is. An owner may not disconnect services to evict a tenant or occupier.

6.4.3 Failure to comply with the conditions above renders the customer liable for all service charges and interest thereon accumulated from the date when the premises are vacated to the date when Council becomes aware of such vacation.

6.4.4 A customer may terminate an agreement for the supply of municipal services by giving at least 21(twenty-one) days written notice to the municipality of such termination.

6.4.5 The Municipality may terminate an agreement for the supply of municipal services by giving at least 21(twenty-one) days written notice to a customer where:

- Municipal services were utilised by such customer for a consecutive period of 2 months and without an agreement.

- Premises have been vacated by the customer concerned and no arrangement for the continuation of the agreement has been made with the Municipality provided that, in the event of the customer concerned not being the registered owner of the premises, a copy of the aforesaid notice shall also be served on such registered owner.

- The Municipality may terminate services to a property immediately when it receives notice or verified information that the customer has been placed under provisional sequestration, provisional liquidation, or deregistered or deceased, or execution of notice of sale, unless suitable arrangements have been made for the payment of services after the date of sequestration, liquidation, deregistration, death or date of sale.

6.5 RATES CLEARANCE

6.5.1 On the sale of any property in the Municipal jurisdiction, the Municipality will withhold the transfer until all rates, services and consumption charges and any other charges are paid, by withholding a rates clearance certificate as contemplated in section 118(1) of the Municipal Systems Act.

6.5.2 When a property is sold, the previous owner must terminate the services and the new owner must register the services in his/her own name and pay the required deposit.

6.5.3 The Municipality may hold both the accountholder and the new owner liable for services rendered to the property, if the above is not complied with.

6.5.4 ~~The new owner may be held liable for any debt not recovered from the previous owner or accountholder, as municipal debt is a charge upon the property in terms of Section 118(3) of the Municipal Systems Act.~~

No undertakings will be accepted in respect of payments prior issuing of clearance.

6.5.5 An advance payment equal to 4 (four) months' rates, consumption and basic charges ~~and services~~ ~~and 2~~ ~~(two) months'~~ ~~water and electricity usage~~ will be collected as part of the rates clearance processes.

6.5.6 Extension of clearances will not be allowed.

6.5.7 All tenant accounts will be closed on the registration date and all future charges will be the responsibility of the new owner upon application of services or termination of services by the seller.

6.6 RATES CLEARANCE CERTIFICATE

6.6.1 The municipality will not issue a rates clearance certificate in terms of Section 118(1) of the Local Government: Municipal Systems Act 2000 (Act no 32 of 2000), if the preceding two years' municipal services charged to the property, and any associated charges for interest and legal costs from the date of application has not been paid.

6.6.2 In terms of section 118 (3) of the Municipal Systems Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal rates levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

6.6.3 All debt is deemed to be collectable by the municipality despite a Clearance Certificate issued in terms of section 118 (1)(b) of the Municipal Systems Act and remains charge against the property, which the municipality may collect by attaching the property.

6.6.4 Where an owner receiving an indigent subsidy sells his property within one year of receiving an indigent write-off, the amount payable in terms of Section 118(1) of the Municipal Systems Act will be determined by the municipality as all amounts levied in the preceding two years, irrespective of whether such amounts were written off as part of the indigent relief.

6.7 PRE-PAYMENT METER SYSTEM

6.7.1 The Municipality may use its pre-payment system to recover arrears in respect of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services;

~~6.7.2 Only cash will be accepted for the sale of prepaid electricity at all the Municipal offices;~~

6.7.3 No refund for pre-paid electricity tokens will be given to customers that move to another address, with a different prepaid electricity meter.

6.8 SOCIAL ASSESSMENTS

6.8.1 After all Internal Credit Control procedures have been followed, a social assessment investigation should be done to determine whether it is viable to hand the customer over, before legal action is instituted.

6.8.2 In cases where the assets of the customer are less than the outstanding debt an alternative action should be considered, such as applying for an indigent subsidy or, writing off a portion of the debt to enable the customer to make a suitable arrangement.

6.9 INCENTIVES FOR PROMPT PAYMENT

6.9.1 To encourage prompt payment and/or to reward regular payers, the Municipality may consider incentives for the prompt payment of accounts or payment by debit or stop orders.

6.9.2 If introduced, such an incentive scheme will be reflected in the operating budget as an additional expenditure.

6.10 INTEREST

6.10.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.

6.10.2 Interest on overdue accounts will be charged at prime rate plus 1 percent.

6.10.3 Interest charged on overdue accounts will be equivalent to a full month from the billing date each month, or part thereof that the account is overdue.

6.10.4 Irrespective of interest charged or any other penalty, the Municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any customer, owner or property.

6.11 THEFT AND FRAUD

6.11.1 Any natural or juristic person found to:

- be illegally connected to municipal services;
- have tampered with meters, the reticulation network or any other supply equipment;
- have committed any unauthorised act associated with the supply of municipal services; and
- have been involved in theft and fraudulent activity, will be prosecuted and/or held liable for penalties as determined from time to time.

6.11.2 Any person that provides information with regards to any illegal actions as set out in paragraph 6.11.1 above, and where such information when verified is found to be true in a court of law, will upon conviction of the guilty party and authorisation by the Municipal Manager be rewarded as determined by Council

from time to time. The name of the informant and the information provided will at all times be kept confidential, so as to protect the informant against any retaliatory action.

6.11.3 Council will immediately terminate the supply of services to a customer should such conduct as outlined in paragraph 6.11.1, above be detected.

6.11.4 The total account owing, including penalties, assessment of unauthorised consumption, disconnection and reconnection fees, and increase deposits as determined by Council will be due and payable before any reconnection can be sanctioned.

6.11.5 The Municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.

6.11.6 The Municipality reserves the right to lay criminal charges and/or to take any other legal action against both vandalism and theft.

6.11.7 The municipality will determine the consumption debt at the rates charged for electricity during the current financial period during which the theft or fraud was discovered or detected.

6.11.8 The responsibility for outstanding costs for meter tampering and penalties will be the responsibility of the owner of the property in cases where the occupier tampered with the prepaid meter.

7. DEBT COLLECTION

7.1 OBJECTIVE

The objectives of the debt collection section are to provide procedures and mechanisms to collect all the monies due and payable to the Municipality arising out of the supply of services and annual levies, to ensure financial sustainability and delivery of Municipal services in the interest of the community.

7.2 LEGAL PROCESSES/USE OF ATTORNEYS/USE OF CREDIT BUREAUS

7.2.1 The Municipality may, when all other credit control actions have been exhausted, commence legal process against customers, which processes could involve summonses, judgments and execution actions.

7.2.2 The Municipality will exercise strict control over this process and will require regular reports on progress from service providers.

7.2.3 The Municipality will establish procedures and codes of conduct with these outside parties.

7.2.4 All steps in the credit control and debt collection procedures will be recorded in the Municipality's records and for the information of the customer.

7.2.5 Individual customer account information will be protected.

7.2.6 The Municipality may release customer information to credit bureaus.

7.2.7 The Municipality may consider the cost effectiveness of the legal process, and will request reports on relevant matters, including cost effectiveness.

7.2.8 The Municipality may consider the use of agents as service providers and other debt collection methods.

7.2.9 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

7.2.10 Any agreement concluded with a service provider shall include a clause whereby breaches of the code of conduct by the service provider will constitute a breach of the contract.

7.2.11 Where an owner is a company or close corporation, which has been deregistered by the Companies and Intellectual Property Commission, the municipality may make application to the High Court to reinstate the registration of the company or close corporation, and the owner will be liable for payment of these legal costs on the scale as between attorney and client.

7.3 COST OF COLLECTION

7.3.1 All costs associated with credit control and debt collection ~~including interest~~, penalties, service discontinuation costs and legal costs are for the account of the customer and should reflect at least the cost of the particular action. No interest will be levied on handed over accounts.

7.3.2 All legal cost, including attorney and customer costs incurred in the recovery of arrears shall be debited against such customer's account.

7.3.3 The registered owner shall remain liable for all legal and the collection costs charged in collection of the municipal debt of an occupier.

7.4 ABANDONMENT OF CLAIMS

7.4.1 The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's debt.

7.4.2 The valid termination of debt collection procedures as contemplated in section 109(2) of the Municipal Systems Act, may be considered under the following circumstances: -

- the insolvency of the customer, whose estate has insufficient funds;
- A balance being too small to recover, for economic reasons, considering the cost of recovery; and
- where the Municipality deems that a customer is unable to pay for services rendered.

7.4.3 The municipality must maintain audit trials in such instances, and document the reasons for the abandonment of the actions or claims in respect of the debt.

7.5 ARRANGEMENTS

7.5.1 If a consumer cannot pay his/her municipal account, the municipality can enter into an extended payment term whereby the consumer must:

7.5.1.1 sign an acknowledgement of debt agreement
7.5.1.2 sign permission to take judgment;
7.5.1.3 sign to be included on the municipal debit order run if employed
7.5.1.4 provide the latest proof of household income if employed

alternatively provide a three months bank statement if not employed or self-employed.
7.5.1.5 sign an admission that should the agreement not be adhered to, no further arrangements will be possible and that the disconnection of water and electricity, as well as legal proceedings, will immediately be implemented without notice;
7.5.1.6 accept liability for all costs; and
7.5.1.7 provide annually on 31 May new proof of income, which return, shall serve at the same time for purposes of indigent assistance.

7.5.2 When an account holder defaults on an arrangement the arrangement may be reinstated provided that all unpaid instalments as well as current amounts are paid in full.

7.5.3 No person will be allowed to enter into a new agreement if an

agreement was dishonoured or any other reason.

7.5.4 No interest will be levied on accounts with valid payment arrangements.

7.5.5 When disconnection and/or restriction of electricity and/or water supply takes place due to non-payment, the consumer's deposit will be adjusted to the current minimum.

7.5.6 When services are illegally restored, criminal action will be taken if Possible.

7.5.7 After a debtor has been handed over for collection, the case will not be withdrawn unless there was an oversight on the part of the Kouga Municipality;

7.5.8 All arrangements must be reported to the Portfolio committee monthly.

7.6 ARRANGEMENTS WILL BE CONCLUDED ON THE FOLLOWING BASIS BY CATEGORY TYPE:

7.6.1 Domestic Account Holders for first time defaulters:

Total gross household income per month	**Initial down- payment**	**Minimum payment per month**
R0 to ~~R2500~~ amount equal to two state pensions (Indigents)	Minimum of R100	~~Current account in excess of the indigent subsidy, and a minimum of R100~~ ~~48~~ 60 equal monthly instalments-plus current account
~~R2501 to R4000~~	~~Minimum of R1000~~	~~Current account plus a minimum of R500~~
~~R4001~~ amount from two state pensions to ~~R6000~~ R8 000	Minimum of R1500	~~Current account plus a minimum of R500~~ ~~36~~ 48 equal monthly instalments plus current account
~~R6001~~ R8 001 to R12000	Minimum of R2000	~~Current account plus a minimum of R500~~ ~~24~~ 36 equal monthly instalments plus current account
R12000 and above	Minimum of R2500	~~Current account plus a minimum of R500 12~~ 24 equal monthly instalments plus current account

~~The minimum amount is subject to the outstanding balance.~~ Arrangements will not be granted on outstanding debt less than the minimum down payment.

7.6.2 Business Account Holders

7.6.2.1 Business account holders (includes all types of commercial, hospitality and industrial activities and instances of multiple dwelling units) will only be given repayment terms if they pay the reassessed security deposit up front;

7.6.2.2 A down payment of at least 50% or such other higher percentage as the Chief Financial Officer (CFO) may approve, of the amount in arrears including any fees or penalties or other charges owing plus the current account;

7.6.2.3 A maximum repayment period of 6 months with a minimum monthly repayment of R1 000 per month plus payment of the current account; if approved by the CFO or the person acting in that position in the absence of the CFO.

7.6.2.4 All agreements entered into with this category of account holder will only be valid if approved by the CFO or the delegated official.

7.6.2.5 The account holder agreeing to set-off being applied to any amounts owing to the account holder by the municipality currently.

7.6.3 Churches, crèches, sports clubs, welfare and any other welfare or NGO's will be treated as follows:

7.6.3.1 This category of account holder will only be allowed to enter into an arrangement for the repayment of arrears after the upfront payment of the reassessed security deposit ;

7.6.3.2 A minimum down payment of ~~20%~~ R2 500.00 plus the current account;

7.6.3.3 ~~The current account plus a minimum determined according to the outstanding balance~~ Arrears to be paid in 24 equal instalments.

7.6.4 State Departments

No arrangements.

~~7.6.4.1 When an account holder defaults on an arrangement for the first time only, the arrangement may be reinstated subject to the approval of the CFO or the delegated person and only on the following condition:~~

- ~~All unpaid instalments as well as current amounts must be paid in full and only in cash or by electronic transfer.~~

~~7.6.4.2 No person will be allowed to enter into a second agreement if the first agreements were dishonoured, except in special merit cases;~~

7.6.5. When disconnection and/or restriction of electricity and/or water supply takes place due to non-payment, the consumer's deposit will be adjusted to the current minimum;

7.6.6. When services are illegally restored, criminal action will be taken if possible;

7.6.7. Where water and electricity accounts remain outstanding or unpaid for more than 2 (two) months, the account will be handed over to debt collectors for collection and/or for legal action by the attorneys. These debtors will have to make further arrangements at the attorney and/or debt collectors, for the arrear account. The current monthly account must be paid directly to the Kouga Municipality.

7.6.8. After a debtor has been handed over for collection, the case will not be withdrawn unless there was an oversight on the part of the Kouga Municipality;

7.7. **Administrations:**

Where a person has been placed under administration the following procedures will apply:

7.7.1. The debt as at the date of the administration court order will be placed on hold, and be collected in terms of the court order by the administrator.

7.7.2. The administrator is to open a new account on behalf of the Customer, with a new deposit – No account is to be opened/ operated in the customer's name as the customer is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1994).

7.7.3 Until such time as this new account is opened, the customer is to be placed on limited services levels. The customer will be compelled to install a prepaid electricity meter, should one not already be installed. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid electricity meter.

7.7.4. Should there be any default on the current account – the supply of services are to be limited or terminated, and the administrator handed over for the collection of this debt.

8. ~~REPORTING AND~~ PERFORMANCE MANAGEMENT

The council must institute the necessary mechanisms to set and measure performance against targets with regard to debt collection, customer care and administrative performance and take corrective steps in order to promote credit control and debt collection.

8.1 Income Collection Targets

The council must set targets that include the following:

- The council wants to collect all monies owed to the municipality.
- The collection rate per annum.

8.2 Customer Care Targets

The council must set targets that include the following:

- response times with regard to enquiries by clients;
- the date on which the first account must be rendered to customers;
- the time frame for the reconnection of services; and
- The meter reading cycle.

8.3 Administrative Performance

The council must set targets that include the following:

- cost effectiveness of debt collection;
- enquiry and appeal procedures; and
- Implementation mechanism relationships.

9. REPORTING

9.1 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 Municipal Systems Act, read with section 100(c).

9.2 The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Municipal Systems Act.

10. APPLICATION OF THE POLICY

10.1 The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy.

10.2 Deviation from this policy can only be approved in terms of council's system of delegations; and

10.3 Deviations must be reported to council.



30 October 2018

C DU PLESSIS
MUNICIPAL MANAGER

DATE

INDIGENT SUPPORT POLICY

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INDIGENT SUPPORT POLICY

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MUNICIPALITY
INDIGENT SUPPORT POLICY

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DEFINITIONS AND ABBREVIATIONS:

LED – Local Economic development
IDP - integrated Development Plan
ID – Identity document

"child headed household" means a household where both parents are deceased and where all occupants of the property are children of the deceased and are under the legal age to contract for services;

"household" means a registered owner with or without children who reside on the same premises;

"indigent" means any household or category of households, including a child headed household, earning a combined gross income, as determined by the municipality annually in terms of a social and economic analysis of its area, which qualifies for rebates/remissions, support or a services subsidy; provided that child support grants are not included when calculating such household income;

"Indigent Management System" an electronic management system applied by Kouga Municipality for the management of the register of indigent households;

"**municipality**" means Kouga Municipality, established in terms of Section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, councillor, duly authorized agent or any employee acting in connection with this by-law by virtue of a power vested in the municipality and delegated or subdelegated to such political structure, political office bearer, councillor, agent or employee;

"programme officer" an official duly authorized by the municipality, or an employee of a service provider appointed by the municipality, who is responsible for the following:

(a) to ensure that applications for indigent support are received and assessed;
(b) to ensure that applications are captured on the Indigent Management System;
(c) to ensure that information on applications are verified and that regular audits are executed; and
(d) to authorize expenditure regarding indigent support.

'occupier' means the person who controls and resides on or controls and otherwise uses immovable property, provided that -

(a) the spouse of the owner of immovable property, which is used by such spouse or owner as a dwelling at any time, shall be deemed to be the occupier thereof;

(b) where both spouses reside on immovable property and one of them is an occupier thereof, the other shall also be deemed an occupier;

'indigent register' means Kouga Municipality's financial database, which has to be updated on a monthly basis, designed to contain all the inputted data contained within completed indigent application forms.

'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 fifty years, whether the lease is registered or not, shall be deemed to be the owner thereof; and
    (ii) the occupier of immovable property occupied in terms of a servitude or right analogous thereto shall be deemed the owner thereof;
(b) if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be;
(c) if the owner is absent from the Republic or if his or her address is unknown to the municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property; or
(d) if the municipality is unable to determine who such person is, then 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 the Land Survey Act, 1997 (Act No. 8 of 1997) or in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937);
(b) a general plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and situated within the jurisdiction of the municipality;

'rates' means any tax, duty or levy imposed on property by the Council;

PREAMBLE

As a developmental institution, the municipality needs to commit to supporting measures that assist and empower its community. It is accepted that large sections of the community cannot exist without intervention and it is therefore the duty of the municipality to support and to ensure that citizens are able to access their constitutional right to have access to a basic level of services.

The Kouga municipality must strive to fulfill the constitutional objectives as contemplated in Section 152 of the Constitution and to meet the criteria for a credible indigent policy as laid down in the Credible Indigent Policy Assessment Framework, 2008, provided by the Department of Local Government.

The successful implementation of this policy depends totally on affordability and the social analysis of the area as should be included in the municipality's IDP. With regard to affordability the foundation is laid in section 74 of the Municipal Systems Act, 2000, which stipulates that poor households must have access to basic service through tariffs that cover only the operating and maintenance costs.

The municipality therefore adopts an indigent support policy which embodies an indigent support programme not only providing procedures and guidelines for the subsidization of service charges to indigent households in its area of jurisdiction, but also to increase the quality of life of the beneficiaries by assisting them to exit from indigence.

1. POLICY PRINCIPLES

In recognition of the abovementioned National Framework the municipality undertakes to promote the following principles:

1.1 To ensure that the Equitable Share received annually will be utilized for the benefit of the poor only and not to subsidize rates and services charges of those who can afford to pay.

1.2 To promote an integrated approach to free basic service delivery; and 1.3 To engage the community in the development and implementation of this Policy.

2. POLICY OBJECTIVES

In support of the above principles the objective of this policy will be to ensure the following:

2.1 The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;
2.2 The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidization;
2.3 Establishment of a framework for the identification and management of indigent households including a socio-economic analysis and an exit strategy;
2.4 The provision of procedures and guidelines for the subsidization of basic charges and the provision of free basic energy to indigent households;
2.5 To ensure co-operative governance with other spheres of government; and
2.6 To enhance the institutional and financial capacity of the municipality to implement the policy.
2.7 To control the indigent register of the Kouga Local Municipality.

3. THE LEGISLATIVE FRAMEWORK

This policy is designed and implemented within the framework of the following legislation:

- The Constitution of the RSA, 1996;
- National Framework for Municipal Indigent Policies of 2005;
- The Municipal Systems Act, 2000 (Act 32 of 2000);
- The Municipal Finance Management Act, 2003 (Act 56 of 2003);
- The Promotion of Administrative Justice Act, 2000 (Act 3 of 2000);
- The Promotion of Access to Information Act, 2000 (Act 2 of 2000);
- The Property Rates Act, 2004 (Act 6 of 2004) and Amended Property Rates Act 29 of 2014.

4. QUALIFICATION CRITERIA

Qualification criteria for indigent support shall be determined by the municipality from time to time, provided that until the municipality determines otherwise, the following criteria shall apply:

4.1 The applicant must be a resident of the municipality within the jurisdiction of Kouga and occupy the premises.
4.2 The applicant must be a South African citizen and in possession of a valid South African identity document.
4.3 The combined or joint gross income of all occupants or dependents in a single household which receives services from the municipality may not exceed the amount equivalent to two state pensions per month.
4.4 The combined bank balances of all occupants or dependents in a single household which receives services from the municipality may not exceed the

amount equivalent to six (6) state pensions upon date of application or verification date.

4.5 Where there are income earning tenants or any other people living on the property with income it has to be declared on the application form and included in the gross household income. The norm should be that the applicant do not receive indigent benefits for services also used by people living on the premises or a tenant with income.

4.6 The applicant must be the owner who receives municipal services and is registered as an account holder on the municipal financial system; provided that the requirement of being registered as an account holder does not apply to households in informal settlements where no accounts are rendered nor in rural areas where no accounts are rendered.

4.7 The owner of the single household referred to above may not own any property in addition to the property in respect of which indigent support is provided.

4.8 The account of a deceased estate, may be subsidized if the surviving spouse or dependents of the deceased who occupy the property, applies for assistance, providing a letter of authority from the Court.

4.9 The indigent subsidy will not apply to vacant stands.

5. EXTENT OF INDIGENT SUPPORT

The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

Within the abovementioned budgetary process, and in striving to create situation where poor households will be granted access to a full social package, the following assistance and support may be granted:

5.1 Water

Each registered indigent household shall receive water fully subsidized to a maximum **of 9 kl per month**, including the basic charges for such supply; provided that –

5.1.1 Where the consumption exceeds 9 kl per month the municipality shall be entitled to restrict water supply to the property; and

5.1.2 Where excessive consumption is partly due to leaking or poor plumbing, the municipality may install a yard connection to the outside of the dwelling and meter the consumption. The indigent beneficiary may also apply for rectification under 6.6 of this Policy.

5.1.3 The municipality may install a water restrictor to ensure that the indigent household does not exceed the 9 kl provided.

5.1.4 The municipality may install a prepaid meter if the household is on conventional to ensure better management of water consumption.

5.2 Electricity

Each registered indigent household shall receive electricity fully subsidized to a maximum of 50 kWh per month. This subsidy may also apply to registered indigent households in rural areas where the municipality is the electricity supplier while agreements with Eskom, where the latter is the supplier, may be negotiated to support such households.

5.3 Refuse removal and Environmental Management Fee

Each registered indigent household shall be fully subsidized for refuse removal and the environmental management fee as provided for in the annual budget.

5.4 Sanitation

Each registered indigent household shall be fully subsidized for sanitation as provided for in the annual budget. Where an indigent household has a sewerage/septic tank, only 1 (one) sanitation suction will be granted free of charge per month.

5.5 Property Rates

Each registered indigent household ~~shall~~ may be subsidized for property rates as provided for in the annual budget and subject to the provisions of the Municipal Property Rates Act, 2006 and Amended Act 29 of 2014.

5.6 Leakages, repairs and installation costs

5.6.1 Where water leakages occur at indigent principle households, such leakages can be repaired at Council's expense and the cost thereof recovered from the equitable share grant. Excess consumption due to the leak will be credited in condition that sufficient proof of repair is provided.

5.6.2 Where electricity meter problems occur at indigent principle households, such problems can be repaired at council's expense and the cost thereof recover from the equitable share grant.

5.6.3 Where sewerage problems occur at indigent principle households, such problems can be repaired at Council's expense and the cost thereof recovered from the equitable share grant.

5.6.4 The conversion to Pre-Paid Meters of indigent principle households, such conversions can be converted at council's expense and the cost thereof recovered from the equitable share grant.

5.6.5 Installation of the Smart and/or Split meters of indigent principle households can be converted at council's expense and the cost thereof recovered from the equitable share grant.

5.7 Rental (Dwellings and Sites)

100% subsidy will be granted to indigent households in respect of all dwellings or sites belonging to the municipality in the event of an existing contract between the municipality and the beneficiary to pay rent.

5.8 Burials

In the event of the death of a member of an indigent household, the municipality may exempt the household from the cost of digging and preparation of a grave, provided that the burial takes place in a municipal cemetery.

5.9 Transfer of properties

In the event of the death of the title holder of a property in an indigent household, the municipality may enter into agreements with local attorneys, the Legal Aid Board or the provincial law society for the administration of the estate and the transfer of the property into the name of the successor at the lowest possible cost.

5.10 Assistance on arrears

5.10.1 Upon registration as an indigent household, the arrears on the account of the applicant will be kept pending for a period of at least three (3) months after which it may be written off.

5.10.2 No interest may be calculated on the arrears as contemplated in 5.10.1

5.10.3 If the applicant exits from the indigent support programme within the three months period in 6.10.1, the arrears will be re-introduced on the account and will be subject to the credit control and debt collection policy of the municipality.

5.10.4 Indigent support will be provided to approved-applicants in the form of a once off writing off all debt. This include all service related arrears (rates, electricity, refuse removal, sewerage disposal, sundries), on the consumer's account.

5.10.5 Where customers have qualified and received indigent subsidy and where debt was written off, but the account is in arrears again, or where a customer has not fulfilled his responsibilities with regards to an arrangement made, the applicable debt may be allocated to the prepaid services system. The debt

will be recovered in the form of auxiliaries at a percentage rate approved by Council from time to time, of the value of electricity purchases. This will be done until the arrear debt is settled in full.

5.10.6 All current account debt must be settled as prescribed by the Customer Care, Credit Control and Debt Collection Policy. Failing to adhere to this prerequisite could result in the constraining of the services being provided. In addition, such debts may be loaded on the prepayment system. The debt will be recovered in the form of auxiliaries at a rate approved by Council from time to of the value of electricity purchases. This will be done until the arrear debt is settled in full.

6. INDIGENT HOUSEHOLDS IN RETIREMENT CENTRES AND OLD AGE HOMES

Indigent consumers living in retirement centres or old age homes shall be eligible to qualify for assistance and support in terms of this policy, subject to the following rules and procedures:

6.1 The onus will be on the Board of Trustees/Managing Agent (hereinafter referred to as the representative) to apply to the municipality, for indigent status to be granted in respect of water consumption on behalf of the owners of those units, who meet the criteria and conditions for qualification.

6.2 The onus will be on the unit owner to apply to the municipality for indigent status to be granted in respect property rates and related charges.

6.3 The representative will submit applications to the Chief Financial Officer.

6.4 The Programme Officer must verify all applications and he or she must notify:

6.4.1 The representative, whether an application was successful or not, with regard to the water consumption; and

6.4.2 The unit owner whether an application was successful or not, regarding the property rates and other related charges.

7. ASSISTANCE PROCEDURES

7.1 Communication

The municipality must develop a communication strategy in terms of which communities will be informed and educated to have a clear understanding of this policy and its implementation. Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in

general and methods of communication may include, but will not be limited to:

7.1.1 ward committees;
7.1.2 traditional leaders, where applicable;
7.1.3 community based organizations;
7.1.4 local radio stations and newspapers;
7.1.5 municipal accounts;
7.1.6 imbizo's and road shows; and
7.1.7 jamborees where government and municipal officials are made available to assist residents with applications such as ID applications, pension- and social grant applications, etc.

7.2 Institutional arrangements

The municipality must designate existing staff, appoint officials if necessary, or engage properly Community Development Workers who have been trained in terms of the municipality's directions to assist with the implementation of this policy and must establish appropriate registration points in its area, the cost of which may be funded through the equitable share allocation.

7.3 Application/Registration

7.3.1 A person applying for indigent support must complete a formal indigent support application form available at approved registration points.

Applications must be accompanied by the following:

- Certified copies of all occupants' identity documents;
- The latest municipal account/copy thereof;
- Certified documentary proof of income, or proof of registration as unemployed from UIF or Department of Labour, plus bank statement (Where applicable);
- Particulars of any other grants received by the accountholder;
- Recent pre-paid electricity token.
- Any additional document required to assist with the assessment.

7.3.2 Consent for the installation of any form of pre-paid meters or flow limited water meters as a system to limit the consumption of services and to abate the accumulation of debt, needs to be obtained from the applicant.

7.3.3 As part of the application, the applicant must be willing to give consent for external scans and credit bureau checks;

7.3.4 If the application is approved, the indigent debtor who is in arrears will have the initial arrears on approval of indigence written off by the Municipality as per conditions of 6.10 above.

7.3.5 The indigent status for a household will be valid as follows:

7.3.5.1 If the applicant is on pensionable age living with underage dependents, the indigent status will remain valid for 24 months. The municipality will review the application every 24 months and if status remain the same the status will automatically be renewed for 12 months after verification.

7.3.5.2 If the applicant is below 60 years, the indigent status is valid for 12 months. The applicant should reapply after 12 months if they want support from the municipality.

7.3.6 All accepted applications must include certified supporting documentation of which certification must not be older than 3 months.

7.4 Assessment & Screening of Applicants

Upon registration of an application, all information must be verified by the Programme Officer.

The applicant should provide access to the property for the municipality to do proper assessment and screening. If the owner does not provide access the application will be automatically terminated.

The applicant should provide all the documentation requested by the municipality. It is the responsibility of the applicant to provide valid documents, submission of fraudulent documentation will result to automatic rejection of the application.

The applicant should give consent to the municipality to conduct verification if information provided through SARS, UIF, SASSA, Credit Information Agencies. Failure to give consent the application will be rejected.

7.5 Recommendation and Approval

Once the verification has been completed a recommendation from the responsible Chief Accountant based on the information obtained and– must be submitted to the Manager: Revenue for approval.

That applicants be informed within 14 days, not exceeding 30 days on the status of their application via sms/letter/email or any other means.

7.6 Right of appeal

An applicant who feels aggrieved by a decision taken in respect of his or her application may lodge an appeal with the Office of the Municipal Manager within 21 (twenty one) days from the date on which the decision was communicated to the applicant.

8. PROCESS MANAGEMENT

8.1 Validity period

The validity period of assistance will be for the duration that the applicant remains indigent. Households, in terms of the audit and review process, will be subjected to scrutiny to determine any change in status. Households may have to periodically re-apply, but this would be determined by the municipality from time to time.

8.2 Death of Registered Applicant

If the approved applicant passes away the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met.

8.3 Publication of Register of Indigent Households

Names of indigent beneficiaries must be open for public perusal and comment. Written objections from the public must be referred to the Programme Officer who will be responsible for investigating the validity of the complaint and referral to the Manager: Revenue for appropriate action.

8.4 Excess usage of allocations

8.4.1 If the level of consumption of the indigent household exceeds the consumption level approved by the municipality, the household will be obliged to pay for the excess consumption on a monthly basis. Such accounts will be subject to the municipality's credit control and debt collection measures.

8.4.2 If a consumer's consumption or use of a municipal service is less than the subsidized service, the unused portion may not be accrued to the consumer and it will not entitle the consumer to cash or a rebate with regard to the unused portion.

8.4.3 Credits on indigent accounts will be utilized as payment prior applying the subsidy.

8.5 Termination of Indigent Support

Indigent Support will be terminated under the following circumstances:

8.5.1 Death of the accountholder.
8.5.2 Upon sale of the property in respect of which support is granted.
8.5.3 When circumstances in the indigent household have improved to the extent where the income threshold as determined is exceeded.
8.5.4 If the applicant is found to have lied about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply:
8.5.4.1 All arrears will become payable immediately;
8.5.4.2 Stringent credit control measures will apply; and
8.5.4.3 The applicant will not be eligible to apply for indigent support for a period of 2 years.

8.6 Audit and review

The municipality may conduct regular audits of the indigent register regarding the information furnished by applicants, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of applicants. The frequency of such audits will depend on the institutional capacity of the municipality to do so. It is proposed that at least monthly targeted audits and reviews are undertaken, with a complete review scheduled for at least every two (2) years.

9. MONITORING AND REPORTING

9.1 The Chief Financial Officer must report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council and other interested parties. Such report shall reflect on:

9.1.1 Number of indigent household applications received;
9.1.2 Amount of subsidy allocated per benefit category;
9.1.3 Amount of debt accumulating and debt recovery information (number of customers; enquires; default arrangements; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);
9.1.4 Performance against targets set in respect of indigent support and poverty relief and to the following:
9.1.4.1 Number of applications for indigent support dealt with;
9.1.4.2 Time taken to process and finalise applications;

9.1.4.3 Site visits undertaken;
9.1.4.4 Awareness initiatives; and
9.1.4.5 Exit initiatives.
9.1.5 Changes in the registered status of indigents.

10. CALCULATION OF SUBSIDY

10.1 The subsidies will be funded from the "equitable share" contribution received from National Treasury and may include an amount from the Municipality's own income as budgeted for in the financial year in question. The subsidies will only be granted to qualifying households to the extent that the above mentioned funds are available for allocation.

10.2 The accounts of qualifying applicants are credited monthly by the subsidies calculated and the expense debited to revenue forgone.

MR C DU PLESSIS
MUNICIPAL MANAGER

MR R LORGAT
CHIEF FINANCIAL OFFICER

APPROVED BY COUNCIL ON : 29 June 2022

REVIEWED: 25.05.2022
APPROVED BY COUNCIL: 29.07.2022
ITEM NO: 22/07/F2

POLICY ON PROVISION FOR DOUBTFUL DEBT AND WRITE-OFF OF IRRECOVERABLE DEBT

REVIEWED: 25.05.2022
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ITEM NO: 22/07/F2

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REVIEWED: 25.05.2022
APPROVED BY COUNCIL: 29.07.2022
ITEM NO: 22/07/F2

POLICY ON PROVISION FOR DOUBTFUL DEBT AND WRITE-OFF OF IRRECOVERABLE DEBT

1. DEFINITIONS

For the purposes of this policy the following definitions are applicable:

"Debt" - means an amount owing to the Municipality;
"Debtor" – means a person who owes the Municipality money for rates/services rendered;
"Accounting Officer" – the Municipal Manager appointed;
"Council" – means the council of the Municipality;
"Municipality" – means the Kouga Municipality.
"First time" – means from the 2014 / 2015 financial year and onwards.

2. PURPOSE OF POLICY

2.1. This policy provides guidelines on treatment of the impairment and write-off of debtors.

The policy seeks that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services.

2.2. Section 96 of the Local Government: Municipal Systems Act, 32 0f 2000, provides that a municipality must collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation. The Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services.

2.3. It is recognized, however, that circumstances may arise which may make the recovery of certain debts impossible, impractical or financially unfeasible, and that such debts may have to be written off.

2.4. The purpose of this policy is to provide a framework for:

2.4.1. limiting the circumstances contemplated in 2.3;
2.4.2. determining, when such circumstances have arisen, whether to write-off any debts; and
2.4.3. the procedures for writing off such debts.

2.5. The municipality will maintain audit trails in such an instance and document the reasons for the abandonment of the action or claim in respect of the debt.

2.6. In addition, the policy further stipulated that "Council must appoint a committee in terms of its delegations to review and **recommend to Council to approve all bad debt write off cases."**

2.7. **The effective management of debtors include, amongst others, the following processes:**

- **Implementation/ maintenance of the appropriate Information and Communication Technology (ICT) Systems and Business Processes;**
- **Accurate Billing;**
- **Customer Care and Accounts enquiry management;**
- **Effective and timeous Credit Control;**
- **Impairment of Debtors (Provision for Doubtful Debtors); and**
- **Write-off of uncollectable debtors.**

2.8. The objectives of this policy are:

2.8.1. To ensure that the debtors disclosed in the annual financial statements are stated at amounts that are deemed to be collectable; and
2.8.2. To ensure that uncollectable debt is written off within guidelines of applicable policies and legislation.

3. IMPAIRMENT OF DEBTORS

Consumer debtors and other debtors are stated at cost less provision for bad debt.

Provision for impairment is made on an individual basis based on expected payment. In accordance with GRAP 104, an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss/reversal is recognised in the Statement of Financial Performance.

4. RESPONSIBILITY / ACCOUNTABILITY

The Council has the overall responsibility for adopting and approving the Provision for Bad Debts and Writing Off of Irrecoverable Debt.

5. WRITE-OFF OF DOUBTFUL DEBTORS

5.1 The following should be the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:-

5.1.1 The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal System Act 2000, as amended and other related legislation.

5.1.2 Before any debt is written off it must be proven that the debt has become irrecoverable. To ensure that recommendations for write off are consistent and accurate, irrecoverable debt will be defined as:-

5.1.2.1 Where the tracing of the debtors is unsuccessful; and

5.1.2.2 All reasonable steps, at the discretion of the appointed write off committee, were taken by the officials to recover the debt.

5.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.

5.1.4 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.

5.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.

5.1.6 Debt can only be written off if the required provision exists in the Municipality's budget and/ or reserves.

6. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR THE WRITING-OFF OF IRRECOVERABLE DEBT

6.1 Approved Indigent Household Consumers in terms of the Municipality's Indigent Policy

6.1.1 Debt owed to Council by an Indigent Household, when registering for the first time in terms of the official Indigent Policy, shall be written off as a once off concession, subject to a thorough audit investigation and certification to the effect that the household is a bona fide indigent as stipulated in the Indigent Policy.

6.1.2 Debt owed by the deceased estate of the breadwinner of a registered indigent household shall be written off up to the date of the death of the owner.

6.2 Balances too small to recover considering the cost for recovery

6.2.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalisation of any final readings and other administrative costs results in a balance of one hundred rand (R100) or less, such account must be forwarded once to the consumer for payment.

Should the new owner not qualify to be registered as an Indigent, in terms of the Council's Indigent Policy, the outstanding rates and service charges for the period from the death of the previous owner till the date of the new service application remain payable by the new owner and cannot be written off.

Should the new owner qualify to be registered as an Indigent, in terms of the Council's Indigent Policy, the outstanding rates and service charges for the period from the death of the previous owner till the date of the new service application can be written off in instances where the next of kin/new owner present proof that the property transfer fees has been paid and the service contract is signed in his/her name.

6.3 Insolvency of the Debtor and Insolvent Deceased Estates

6.3.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off.

6.3.2 In case of death of the debtor, a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off.

6.4 Untraceable Debtors

6.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt. The collection agent will be paid an all- inclusive fee that will be negotiated. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.

6.4.2 Any amount owed by a debtor that has become untraceable must, after notification, be written off or sold to a debt collection agency at a discount.

6.4.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

6.5 Special Arrangements in order to obtain a Clearance Certificate

6.5.1 In terms of legislation the Municipality will under normal circumstances not issue a Clearance Certificate on any property unless all outstanding amounts are paid to date, or alternatively payment of the current year and two years preceding the date of application for the certificate have been fully paid, and a guarantee by the attorney handling the property transfer is issued in favour of the Municipality for the balance of the debt.

6.6 Special Incentives introduced by Council for Household Consumers in terms of the Approved Revenue Enhancement Strategy

6.6.1 Notwithstanding the Municipality's Credit Control Policy a debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-

6.6.1.1 The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;

6.6.1.2 The current monthly amount must be paid in full; and

6.6.1.3 The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

6.6.2 Due to ineffective/ non implementation of credit control measures in the past, the majority of household consumers have accumulated significant arrear amounts and that these consumers are not in a position to pay of these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the Council of Kouga Municipality may resolve to implement special incentives to address the arrear debt.

6.7 Special cases:

The allocation of RDP houses by the Directorate Planning, Development and Tourism has in some instances resulted in debt raised for the property in the name of the person allocated the house, but who never took occupation due to one of the following reasons:

- Occupation taken up by illegal occupants;
- Failure to inform the rightful owner about the allocation; - Alteration of allocation not effected in Council records;

In the above-mentioned cases there will never be a need to implement the Credit Control and Debt Collection Policy; therefore write-off should take place immediately when the Directorate involved in the allocation of property issues a memorandum that confirms the above. Furthermore the write-off should be affected and later reported to Council for ratification purposes.

7. ESTABLISHMENT OF A COMMITTEE TO MONITOR ANY DEBT TO BE WRITTEN OFF

7.1 Council will establish and appoint a Committee to monitor the implementation of this Policy.

7.2 The Committee will consist of the following members:-

7.2.1. The Municipal Manager (Chairperson) or delegated authority.

7.2.2. Chief Financial Officer (Alternative Chairperson).

7.2.3. Chairperson of the Finance Committee.

7.2.4. A member of each Political Party.

7.2.5. One member of the Finance Committee to be nominated by the Finance Committee.

7.3. The above Committee will meet at least quarterly to receive and review a report from the Chief Financial Officer containing full details of any actions taken by officials with respect to this Policy, and to consider any circumstances not covered by this Policy.

7.4. The quorum for the Committee shall be 50% of the members plus one.

7.5. Formal minutes of Committee meetings must be prepared and submitted to Council.

7.6. The Chief Financial Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off any amounts to the maximum of;

7.6.1. in the case of a household consumer an amount of R10,000 (excluding interest and penalties) per submission;

7.6.2. in the case of a business consumer an amount of R20,000 (excluding interest and penalties) per submission; and

7.6.3. any amount in excess of the delegation provided for in paragraph 7.6.1 and 7.6.2 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager or delegated authority will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, be delegated to write off any amounts to the maximum of:-

7.6.4. in the case of a household consumer an amount of R20,000 (excluding interest and penalties) per submission; and

7.6.5 in the case of a business consumer an amount of R50,000 (excluding interest and penalties) per submission.

7.7. Any amount in excess of the delegation provided for in paragraph 7.6.4 and 7.6.5 above may only be reviewed by the Committee to Monitor Debt to be written off and must be submitted together with a recommendation to Council for consideration.

7.8. All write-offs as per 7.6 is to be reported to the Committee to Monitor Debt to be written off.

8. DELEGATED POWERS ON WRITING-OFF INTEREST AND PENALTIES ON RECOVERABLE DEBTS

8.1 The Chief Financial Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off interest and penalties, **subject to full settlement account**, to the maximum of;

8.1.1 in the case of a household consumer an amount of R10 000 per submission;

8.1.2 in the case of a business consumer an amount of R20 000 per submission; and

8.1.3 any amount in excess of the delegation provided for in paragraph 8.1.1 and 8.1.2 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, be delegated to write off interest and penalties, **subject to full settlement of the account**, to the maximum of:

8.1.4 in the case of a household consumer an amount of R20,000 per submission; and

8.1.5 in the case of a business consumer an amount of R50,000 per submission.

8.2 Any amount in excess of the delegation provided for in paragraph 8.1.1 to 8.1.5 above may only be reviewed by the Committee to Monitor Debt to be written off and must be submitted together with a recommendation to Council for consideration.

8.3 All write-offs as per 8.1.1 is to be reported to the Committee to Monitor Debt to be written off.

9. PREVENTION OF PRESCRIPTION OF DEBT

9.1 Prevention:

Proceedings out of the appropriate court for the recovery of a debt must be commenced as soon as it is appropriate in order to prevent prescription of the debt. A summons process for payment of the debt must be successfully concluded ~~within 120 days~~ to prevent prescription of the debt in terms of the Prescription Act.

9.2 Prescription Act, 1969 (Act No. 68 of 1969):

Section 10 (1) of the Prescription Act provides that a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt. The Municipality cannot legally enforce payment of a debt once the debt has prescribed, but the period of prescription is interrupted:-

(i) By the service on the debtor of any process whereby the creditor claims payment of the debt (Section 15). "Process" means a Summons or Notice of Motion, which must actually be served on the debtor and not simply issued by the court, and does NOT include a registered letter of demand.

(ii) the debtor acknowledges liability, whether expressly or tacitly (Section 14); payment of a portion of the debt can constitute a tacit acknowledgement of liability.

The completion of prescription may also be delayed in certain circumstances (Section 13).

9.3 In terms of Section 11 of the Prescription Act, 1969 (Act 68 of 1969), the periods of prescription of debts are as follows:

(i) **Thirty years** in respect of - any debt secured by a mortgage bond;
any judgment debt;
any debt in respect of any taxation imposed or levied by or under any law and any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances.

(ii) **Fifteen years** in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer period applies in respect of the debt in question in terms of paragraph (i) above.

(iii) **Six years** in respect of a debt arising from a bill of exchange or other negotiable **instrument** or from a notaries contract, unless a longer period applies in respect of the debt in question in terms of paragraph (i) or (ii) above.

(iv) **Three years** in respect of all other debts, save where an Act of Parliament provides otherwise.

10. BAD DEBTS RECOVERED

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

11. IMPLEMENTATION

This policy will be effective on the date of adoption by Council.

All future submissions for the writing off of debt must be considered in accordance with this policy.

APPROVED ON: **29 July 2022**

COUNCIL RESOLUTION NUMBER: 22/07/F2

_____ _____

C DU PLESSIS **DATE**
MUNICIPAL MANAGER

REVIEWED: 22.03.2022
RECOMMENDED BY MAYCOM: 00.00.0000
APPROVED BY COUNCIL: 31.03.2022
ITEM NO: 22/03/F7

PROPERTY RATES POLICY

PROPERTY RATES POLICY

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PREAMBLE

WHEREAS Section 3 of the Local Government: Municipal Property Rates Act, 6 of 2004 determines that a municipality must adopt a rates policy in accordance with the provisions of the Act.

NOW THEREFORE the Council adopts the following policy on the levying of property rates and taxes:

1. DEFINITIONS

"Act" means the Local Government: Municipal Property Rates Act, 6 of 2004 and includes any regulations, directives and notices proclaimed, made or issued by a competent authority in terms thereof;

"agent", in relation to the owner of a property, means a person appointed by the owner of the property:

a) to receive rental or other payments in respect of the property on behalf of the owner; **or**
b) to make payments in respect of the property on behalf of the owner.

"**Agricultural purpose**" means property which is used exclusively for agricultural and/or farming purposes as bona fide farmers but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting game including small holdings. In this definition such properties could also be included within the urban edge of a town;

"annually" means once every financial year;

"bona-fide farmers" means a genuine or real farmer whose dominant income is generated from farming activities, on an agricultural property, within the Kouga municipal area, and is taxed by SARS as a bona-fide farmer.

"business and commercial property" means-

a) property used for the activity of buying, selling or trading in commodities or services and includes any office or other accommodation on the same property, the use of which is incidental to such activity; or
b) property on which the administration of the business of private or public entities take place.

"category" –

a) in relation to property, means a category of property determined by the Council in terms of Section 8(2) of the Act;
b) in relation to owners of property, means a category of owners determined by the Council in terms of Section 15(2) of the Act;

"Date of valuation" means the date determined by the Kouga Local Municipality in terms of Section 31 (1)

"district management area" means a part of a district municipality, which in terms of section 6 of the Municipal Structures Act has no local municipality and is governed by that municipality alone;

"district municipality" means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category B municipality;

"exclusion", in relation to a municipality's rating power, means a restriction of that power as provided for in Sections 16 and 17 of the Act;

"exemption", in relation to the calculation of a rate, means an exemption granted by the Council in terms of Section 15(1)(a) of the Act;

"financial year" means the period starting from 1 July in a year to 30 June of the next year;

"household income" means the income accruing to all members of the household permanently residing at the address. It includes income of spouses;

"income tax act" means the Income Tax Act ,1962 (Act 58 of 1962);

"industrial property" means property used for construction, repair, trade or manufacturing, production, assembly or processing of finished or partially finished products from raw materials or fabricated parts on such a large scale that capital and labour are significantly involved, and includes any office or other accommodation on the same property, the use of which is incidental to such activity, including silos ;

"indigent person" means a person whose household income does not exceed the minimum household income as predetermined by the council;

"local community", in relation to the municipality, means –
a) that body of persons comprising-
i. the residents of the municipality;
ii. the ratepayers of the municipality;

iii. any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and
iv. visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and
b) includes, more specifically, the poor and other disadvantaged Sections of such body of persons;

"local municipality" means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section l55(1) of the Constitution as a category B municipality;

"market value", in relation to a property, means the value of the property determined in accordance with Section 46 of the Act;

"Mayor" means the Councilor designated as Mayor of the Municipality in terms of Section 57(1) of the Municipal Finance Management Act, No 56 of 2003;

"MEC for Local Government" means the member of the Executive Council of a province who is responsible for local government in that province;

"mining property" means a property used for mining operations as defoned in the Mineral and Petroleum Resources Development Act, (Act 28 of 2002);

"multiple purposes", in relation to a property, means the use of a property for more than one purpose as contemplated by Section 9 of the Act;

"municipal Council" or "Council" means a municipal council referred to in section 18 of the Municipal Structures Act, and in this policy means the municipal Council of Kouga Municipality;

"municipal property" is property registered or vested in the name of Kouga Municipality;

"Municipal Finance Management Act" means the Local Government; Municipal Finance Management Act, 2003 (Act 56 /2003);

"municipality"-
a) as a corporate entity, means a municipality described in Section 2 of the Municipal Systems Act; and
b) as a geographical area, means a municipal area demarcated in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"municipal manager" means a person appointed as municipal manager of the municipality in terms of Section 82 of the Municipal Structures Act, 1998 and includes any official acting in this

position and where, in this policy, reference is made to the "accounting officer" such reference shall be construed as the municipal manager acting in this capacity ;

"occupier", in relation to a property, means a person in actual occupation of a property whether or not that person has a right to occupy the property and, where the text so requires, includes a lessee;

"open space" means land that is used as a park, garden, for passive leisure or maintained in its natural state and that is zoned as open space;

"owner"-

a) in relation to property referred to in paragraph (a) of the definition of "property", means a person in whose name ownership of the property is registered;
b) in relation to a right referred to in paragraph (b) of the definition of "property", means a person in whose name the right is registered;
c) 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
d) in relation to public service infrastructure referred to in paragraph (d) of the definition of "property" in the Act, means the organ of state which owns or controls that public service infrastructure as envisaged by the definition in the Act of the term "publicly controlled", provided that a person mentioned below shall for the purposes of this policy be regarded by the 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. an usufructuary or other person in whose name a usufruct or other personal servitude is registered in the case of a property that is subject to a usufruct or other personal servitude;
vii. a buyer, in the case of a property that was sold and of which possession was given to the buyer pending registration of ownership in the name of such 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;

"private open space" means land that is privately owned and used for practising of sport, play-or leisure facilities without financial gain or used as a botanical garden, cemetery or nature area and which is joined as Private Open Space;

~~**"privately owned townships serviced by the owner"** means single properties (group housing or single residential erven), situated in an area not ordinarily being serviced by the Municipality, divided through subdivision or township establishment in (ten or more) full title stands and/or sectional title units and where all rates-related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreation facilities, are installed at the full cost of the developer and are rendered and maintained by the residents, Home owners association or management companies/ bodies of such estate.~~

~~Such properties must also be included as residential in a valuation list in terms of section 48(2)(b) of the Act;~~

"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;

"public benefits organisation" means an organisation 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.

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

a) a public entity listed in the Public Finance Management Act, Act 1 of 1999 a municipality or
b) a municipal entity as defined in the Local Government: Municipal Systems Act, No.32 of 2000

"public service infrastructure" means publicly controlled infrastructure-as determined in terms of Chapter 1 of the Local Government: Municipal Property Rates Act, No.6 of 2004

"public service purpose" in relation to the use of a property, means property owned by an organ of state

"Places of public worship" means property registered in the name of and used primarily as a

place of worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of the community who officiated at services at the place of worship.

"Rate ratio" means a prescribed ratio to the rate as referred to in section 19(1) of the Municipal Property Rates Act

"rate" means a municipal rate on property envisaged in Section 229(1)(a) of the Constitution;

"rateable property" means property on which a municipality may in terms of Section 2 of the Act levy a rate, excluding property fully excluded from the levying of rates in terms of Section 17 of the Act;

"rebate", in relation to a rate payable on a property, means a discount granted by the Council on the amount of the rate payable on the property;

"reduction", in relation to a rate payable on a property, means the lowering of the amount for which the property was valued and the rating of the property by the Council at that lower amount;

"residential property" means a property included in the valuation roll in terms of Section 48 (2)(b) of the Local Government: Municipal Property Rates Act, No.6 of 2004

"Vacant land" means land where no immovable improvements have been erected. Vacant land can be classified as follows:

a) Residential vacant, means a property included in the valuation roll in terms of section 8(2) of the Act (read with section 8 (3) as residential vacant.
b) Business vacant means a property included in the valuation roll in terms of section 8(2) of the Act (read with section 8 (3) as business vacant.
c) Industrial vacant, means a property included in the valuation roll in terms of section 8(2) of the Act (read with section 8 (3) as industrial vacant.

2. PURPOSE OF THE POLICY

The purpose of the policy is:

2.1. to comply with the provisions of Section 3 of the Act;

2.2. to determine criteria to be applied in respect of:
i. the levying of differential rates for different categories of properties;
ii. exemptions;
iii. reductions and rebates; and
iv. rate increases;

2.3. to determine or provide criteria for the determination of:
   i. categories of properties for the purpose of levying different rates; and
   ii. categories of owners of properties or categories of properties, for the purpose of granting exemptions, rebates and reductions;

2.4. to determine how the municipality's powers must be exercised in relation to multi-purpose properties;

2.5. to identify and quantify to the municipality in terms of cost and benefit to the community:
   a) exemptions, rebates and reductions;
   b) exclusions; and
   c) rates on properties that must be phased in;

2.6. to take into account the effect of rates on the poor;

2.7. to take into account the effect of rates on organisations conducting particular public benefit activities;

2.8. to take into account the effect of rates on public service infrastructure;

2.9. to determine measures to promote local economic and social development; and

2.10. to identify all rateable property that is not rated.

3. POLICY PRINCIPLES

3.1. The levying of a rate on a property is an exclusive power of the municipality which will be exercised:
   a) optimally and comprehensively within the municipality;
   b) with consideration of the total income base of the municipality; and
   c) with consideration of the fair distribution of the rates requirement over all the properties in the municipal area

3.2. The rating of property will be undertaken impartially, fairly, equitably and without prejudice, and these principles also apply to the determination of criteria for exemptions, reductions and rebates contemplated in Section 15 of the Act.

3.3. The rating of property will be implemented in a way that:
   a) is developmentally orientated;
   b) supports sustainable local government by providing a stable and constant revenue source within the discretionary control of the municipality;

c) supports local and social economic development; and
d) it remains affordable to all.

3.4. Property rates will be levied to:
a) ensure access to community and subsidised services to all residents; and minimise the effect of rates on the poor.

3.5. The market value of a property as recorded in the municipal valuation roll serves as basis for the calculation of property rates.

3.6. The rates tariff will be based on the value of all rateable properties and the Amount required by the municipality to balance its operating budget after taking in account profits generated on trading and economic services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the Council from time to time

3.7. Trading and economic services will be financially ring fenced and tariffs and Service charges calculated in such a manner that the income generated covers the cost of the services or generate a surplus to meet specific identified service related objectives.

3.8. Property rates will be used to finance community and subsidised services.

3.9. Budgeted contributions from trade and economic services may be used to Subsidise community and subsidised services;

3.10. The provision for working capital and bad debts must relate to the requirements for community services and not to those of trading and economic services.

3.11. The revenue base of the municipality will be protected by limiting reductions, Exemptions and rebates to those that are fair and reasonable.

4. IMPOSITION OF RATES

Rates are levied in accordance with Section 11 of the MPRA and is an amount in the Rand based on the market value and category as recorded in the valuation roll or supplementary valuation rolls and the tariff determined for the category in the budget of the Municipality.

5. CATEGORIES OF PROPERTY

The Council has resolved to levy different rates for different categories of property based on the use of the property concerned. In the event where the use cannot be determined properties will be valued based on the permitted use ie. vacant land

The municipality has identified the following categories of property in accordance with section 8 and 93A of the Act: -

a) residential properties;
b) business and commercial properties;
c) industrial properties;
d) public service infrastructure;
e) properties used for public benefit purposes;
f) agricultural properties;
g) properties owned by an organ of state and used for public service purposes;
h) Multiple use properties subject to section 9 of Municipal Property Rates Act.;
i) Nature Reserves
j) Private Open Place/Space
k) vacant land subcategorised into the following:

- residential
- business
- private open space / private open place
- Industrial
- public service infrastructure
- ~~State~~

6. MULTIPLE PURPOSE PROPERTIES

The municipality shall, for rates purposes, assign a property used for multiple purposes to a category determined by the municipality for properties used for multiple purposes.

A rate levied on a property assigned to a category of properties used for multiple purposes must be determined by apportioning the market value of the property to the different purposes for which the property is used; and applying the rates applicable to the categories determined by the Municipality for properties used for those purposes to the different market value apportionments.

7. CATEGORIES OF OWNERS

~~For the purpose as described in sections 3.2 and 3.3 of this policy~~ The following categories of owners will be recognised in terms of section 15(2) of the Act:

~~a) Those owners who qualify and who are registered as indigent in terms of the adopted indigent policy of the Municipality;~~

~~b) Owners of properties situated within an area affected by:~~

(i) ~~a disaster within the meaning of the Disaster Management Act, 2002 (Act No 57 of 2002); or~~

(ii) ~~any serious adverse social or economic conditions.~~

- ~~Owners of properties situated in "privately owned townships" serviced by the owner;~~
- ~~Owners of agricultural properties;~~
- ~~Owners of farm properties and small holdings that are used for residential purposes;~~
- ~~Owners of farm properties or small holdings that are used for industrial, commercial and business purposes; and~~
- ~~• Owners of developed properties not yet sold and transferred.~~

a) indigent status of the owner of a property

b) sources of income or/and monthly household income of the owner of a property

c) owners of property situated within an area affected by-

i) a disaster within the meaning of the Disaster Management Act, 20002 (Act no 57 of 2002 ; or

ii) any other serious adverse social or economic conditions;

d) owners of residential properties with a market value below a determined threshold; or

e) owners of agricultural properties who are *bona fide* farmers.

8. APPLYING DIFFERENT LEVIES FOR DIFFERENT CATEGORIES OF PROPERTY

The rate charged as an amount-in-the-rand for Residential Properties is the base rate and the rates charged in respect of all other categories of properties are reflected as ratios to the residential rate. The different ratios are as follows:

Delete

1.1.	Categories of Properties (Residential To Business Ratio 1:2 maximum)	R	Ratio
1.1.1	**Residential**	Cent in the rand	1:1
(i)	Vacant Land	Cent in the rand	1:1.5
(ii)	Private Open Place/Space	Cent in the rand	1:1
1.1.2	**Business and Commercial Properties**	Cent in the rand	1:1.25
(i)	Business: Vacant Land	Cent in the rand	1:5
1.1.3	**Industrial Property**	Cent in the rand	1:1.25
(i)	Industrial: Vacant Land	Cent in the rand	1:5
1.1.4	**Properties Owned By Organ Of State And Used For Public Service Benefit**	Cent in the rand	1:1.67
1.1.5	**Agricultural**	Cent in the rand	1:0.25
1.1.6	**Other**	Cent in the rand	
(i)	Public Benefit Organisation	Cent in the rand	1:0.25
(ii)	Public Service Infrastructure	Cent in the rand	1:0.25
(iii)	Mining Properties	Cent in the rand	1:1.67

Insert

1.1.	Categories of Properties (Residential To Business Ratio 1:2 maximum)	R	Ratio
1.1.1	**Residential**	Cent in the rand	1:1
(i)	Vacant Land	Cent in the rand	1:1.5
(ii)	Private Open Place/Space	Cent in the rand	1:1
1.1.2	**Business and Commercial Properties**	Cent in the rand	1:1.25
(i)	Business: Vacant Land	Cent in the rand	1:1.5
1.1.3	**Industrial Property**	Cent in the rand	1:1.25
(i)	Industrial: Vacant Land	Cent in the rand	1:1.5
1.1.4	**Properties Owned By Organ Of State And Used For Public Service Benefit**	Cent in the rand	1:1.67
1.1.5	**Agricultural**	Cent in the rand	1:0.25
1.1.6	**Other**	Cent in the rand	
(i)	Public Benefit Organisation	Cent in the rand	1:0.25
(ii)	Public Service Infrastructure	Cent in the rand	1:0.25
(iii)	Mining Properties	Cent in the rand	1:1.67

The Municipality will treat farm properties and smallholdings that are used for residential purposes as residential properties and grant them all the rebates and reductions applicable to other residential properties in the municipal area.

Farm properties and smallholdings that are used for industrial, commercial and business purposes will be rated on the same basis as other such properties in the municipal area.

9. EXEMPTIONS

The following property categories are exempt from the payment of property rates:

a) Municipal properties

Municipal properties ~~which are not used by the trading services~~ are exempted from paying property rates.

b) Residential properties

All residential property with a market value of less than the amount as annually determined by the Municipality, are exempted from paying property rates. The impermissible rates levied on the first R15 000 of the market value of all residential properties contemplated in terms of section 17(1)(h) of the Act may be supplemented by Council based on affordability, ratepayer profile and the

Municipality's predetermined level of support to the indigent. Vacant land does not qualify for this rebate.

c) Public Service Infrastructure

The first 30% of market value will not be rated in terms of the Act as it is deemed to provide essential services to the community.

d) Private Open Space/Place

Properties categorized as Private Open Space/Place will be 100% exempted from paying property rates.

e) Public Benefit Organisations

Public Benefit Organisation Property means property owned by public benefit organisations and used for any specified public benefit 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.

f) Exemptions in 9(a) to 9(d) will automatically apply and no application is thus required by the owners of such property.

g) A rate-exemption certificate as issued by the South African Revenue Service (SARS), as contemplated in terms of Part 1 of the Ninth Schedule to the Income Tax Act, 1962 (Act No 58 of 1962), must be submitted together with the application.

h) The Municipality retains the right to refuse the application for exemption if the details supplied in the application were incomplete, incorrect or false.

10. IMPERMISSIBLE RATES

In terms of section 17(1) of the Property Rates Act, 2004, the Municipality may, inter alia, not levy rates:

a) on those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, 2003 (Act No 57 of 2003), or of a national botanical garden within the meaning of the National Environmental Management

Biodiversity Act, 2004 (Act No 10 of 2004), which are not developed or used for commercial, business, residential or agricultural purposes;

b) on mineral rights within the meaning of paragraph (b) of the definition for "property" in section 1 of the Act;

c) on the first R15 000 of the market value of all residential properties contemplated in terms of section 17(1)(h) of the Act. Vacant land does not qualify for this rebate.

d) on a property belonging to a land reform beneficiary or his or her heirs, provided that the exclusion lapses ten years from the date on which such beneficiary's title was registered in the Deeds register; and

e) on a property registered in the name of and primarily used as a place of public worship, including an official residence registered in the name of the church that is occupied by an office-bearer who acts as officiant of the church.

11. REBATES

Categories of properties

11.1 The Council may grant rebates in a percentage determined by it by resolution to the owners of rateable industrial enterprises that promote local, social and economic development in its area of jurisdiction, based on the Council's Local, Social and Economic
Development Policy.

The following criteria will apply in respect of the grant of such rebate:

a) job creation in the municipal area;

b) social upliftment of the local community; and

c) creation of infrastructure for the benefit of the community.

For purposes hereof, an industrial enterprise shall be deemed to be an enterprise which is lawfully conducted from premises situated on land which is zoned for industrial

purposes in terms of the municipality's zoning scheme and which ordinarily employs at least 25 or more fulltime employees.

Rebates must be phased out within five years from the date that the rebate was granted for the first time.

Rebates will be granted upon application subject to:

a) the submission to the municipality of an acceptable business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality will be met;

b) the submission to the municipality of an acceptable continuation plan issued by the directors of the company and certified by the auditors thereof stating that the aforementioned objectives have been met in the first year after the company's establishment and how the company plans to continue to meet the identified objectives;

c) an assessment by the municipal manager indicating that the company qualifies for the rebate in terms of the Council's requirements; and

d) a Council resolution.

11.2 The Council may grant rebates in a percentage determined by it by resolution on property tax payable in respect of the under-mentioned properties which have been assigned to the category: Public Benefit Organisation (education and development) upon submission of a valid certificate issued by the SA Revenue Service as proof that the organisation which owns and uses such property for the aforementioned purposes, is registered for tax exemption in terms of the Income Tax Act and provided further that the organisation concerned, on a yearly basis on or before 30 September of each year, applies on a form to be prescribed for this purpose, for a rebate on the tax payable for the ensuing financial year:

a) the provision of education by a "school" as defined in the South African Schools Act,

1996, (Act No. 84 of 1996);

b) the provision of "higher education" by a "higher education institution" as defined in terms of the Higher Education Act, 1997, (Act No. 101 of 1997);

c) "adult basic education and training", as defined in the Adult Basic Education and Training

Act, 2000, (Act No 52 of 2000), including literacy and numeracy education;

d) "further education and training" provided by a "public further education and training institution" as defined in the Further Education and Training Act, 1998, (Act No. 98 of 1998);
e) training for unemployed persons with the purpose of enabling them to obtain employment;
f) the training or education of persons with a severe physical or mental disability; the provision of bridging courses to enable educationally disadvantaged persons to enter a higher education institution as envisaged in sub-paragraph (b);
g) the provision of educare or early childhood development services for pre-school children;
h) training of persons employed in the national, provincial and local spheres of government, for purposes of capacity building in those spheres of government;
i) the provision of school buildings or equipment for public schools and educational institutions engaged in public-benefit activities contemplated in sub-paragraphs (a) to (g);
j) career guidance and counselling services provided to persons for purposes of attending any school or higher education institution as envisaged in sub-paragraphs (a) and (b);
k) the provision of hostel accommodation to students of a public benefit organisation, institution, board of body;
l) programmes addressing needs in education provision, learning, teaching, training, curriculum support, governance, whole school development, safety and security at schools, pre-schools or educational institutions as envisaged in sub-paragraphs (a) to (g);
m) educational enrichment, academic support, supplementary tuition or outreach programmes for the poor and needy.

11.3 The Municipality will treat farm properties and smallholdings that are used for residential purposes as residential properties and grant them all the rebates and reductions applicable to other residential properties in the municipal area.

Farm properties and smallholdings that are used for industrial, commercial and business purposes will be rated on the same basis as other such properties in the municipal area.

12. APPLICATIONS FOR EXEMPTION/REBATES

Where it is required that application made for exemption from tax or the granting of a rebate on tax, such applications must be made on a prescribed form which may be obtained from the accounting officer.

The following particulars must be supplied on such prescribed form:

- personal particulars of the applicant;
- postal address of the applicant;
- erf or lot number of the property in respect of which application is made, as depicted in the municipality's valuation records;
- a description of the purpose for which such property is used, and
- any other particulars which the municipality may from time to time deem necessary.

All applications for exemption of tax or a rebate on tax must be considered by the ~~Council~~ Municipal Manager or his nominee. Applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.

The ~~Council~~ Municipal Manager or his nominee may refuse approval of an application for exemption or a rebate on tax if:

- the particulars furnished on the application form are incomplete, incorrect or false; and
- the application form is not received on or before the due date determined for such applications.

13. REDUCTIONS

13.1 Categories of property

a) Reductions as contemplated in section 15 of the Act will be considered on an ad-hoc basis in the event of the following:

(i) Partial or total destruction of a property; or

(ii) Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).

13.2 Categories of owners

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, flood, lightning, storms and/or other artificial or natural disasters.

b) Any reduction granted in terms of this paragraph shall be authorised by resolution of the Council.

c) If rates were paid in advance prior to granting of a reduction the Municipality will give credit to such an owner as from the date of reduction until the date of lapse of the reduction.

14. RATE ADJUSTMENTS

14.1 The municipality will adjust rates annually during the budget process prescribed in terms of the Municipal Finance Management Act, 2003.

14.2 Rate adjustments will be used to finance operating costs of community services.

14.3 Relating to community services, the following annual adjustments will be made:-

a) all salary and wage adjustments as agreed upon at the Local Government Bargaining

Council;

b) an inflation adjustment for general expenditure, repairs and maintenance and contributions to funds; and additional depreciation costs or interest and redemption on loans associated with the assets created during the previous financial year.

14.4 Extraordinary expenditure not foreseen during the previous budget period and approved by the Council during a budget review process, will be financed by an adjustment in property rates.

14.5 All adjustments to property rates will be communicated to the local community as part of the budget consultative processes of the municipality.

15. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS, PHASING-IN OF RATES

15.1 During the budget process, the accounting officer must inform the Council of all the costs associated with the recommended exemptions, rebates, reductions, phasing-in of rates and grants in lieu of rates.

15.2 Provision must be made in the operating budget for:

a) the full potential income associated with property rates; and

b) the full costs associated with exemptions, rebates, reductions, phasing-in of rates and grants in lieu of rates.

15.3 All rebates granted in terms of this policy will be inclusive of any phasing-in discount referred to in the Act.

16. PAYMENT ARRANGEMENTS

The following matters pertaining to the payment of property rates are regulated in the municipality's credit control and debt collection policy and related by-laws:

- the date on which rates become due;
- the last date on which rates which are levied annually as well as monthly, must be paid;
- interest on rates in arrear; and
- actions against defaulters.

17. RECOVERY OF ARREAR RATES FROM TENANTS, OCCUPIERS AND ABSENT OWNERS

17.1 If the owner of a property is absent, the municipality may recover the amount due for rates on the property in whole or in part from the agent of the owner or other person receiving rent for the property on behalf of the owner.

17.2 The amount the municipality will recover from the agent or other person is limited to the amount of the rent received by the agent or that person, less the commission due to that agent or person subject to the Estate Agents Act, 1976 (Act No. 112 of 1976). The amount will only be recovered in this manner after written notice is given to the occupier and if the owner has failed to pay after due notice has been served on such owner.

17.3 The agent or other person, must on request by the municipality, furnish it with a written statement specifying all payments received by that agent or person during a period determined by the municipality for rent on the property.

17.4 The allocation of payments received, or recovered, from whichever source, will be at the discretion of the municipality.

17.5 The supply of basic services may be discontinued, restricted or suspended if rates due become in arrears and the municipality will reinstate such service only if such arrears are paid in full or by the signing of a repayment arrangement.

18. LIABILITY FOR RATES

18.1 Residents may apply to pay their rates annually and such a request must be submitted to the Finance Directorate in writing, and must be payable on or before the next due date of the monthly account in August of each year.

18.2 Annual rates will be automatically converted to monthly upon default and will not be converted back to annual upon future requests.

18.3 Monthly Rates levies must be paid on or before the due date of the monthly accounts.

18.4 Interest will be charged on rates that are in arrears at the rate determined by Council from time to time.

18.5 The lodging of an objection, a review or an appeal in terms of sections 50, 52 and 54 of the MPRA does not defer liability for the payment of rates.

18.6 The submission of an application for a rebate or exemption does not defer the liability of payment of rates beyond the due date. Any interest raised for non-payment or short payment prior to date of processing the application will be payable irrespective of whether the property/owner qualifies for the rebate/exemption or not.

18.7. In the event that a property has been transferred to a new owner and a Supplementary Valuation took place, the previous owner as well as the new owner will jointly and separately be held responsible for the settling the supplementary rates account.

18.8 A property rate is a debt in respect of taxation in terms of section 11 of the Prescription Act 68 of 1969, and the Kouga Local Municipality can recover rates in arrear for a period of up to 30 years

19. ACCOUNTS TO BE FURNISHED

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

a) the annual amount or the amount of the monthly instalment payable;
b) the date by which the amount is payable;
c) the basis of calculation of the amount;
d) the site value or the improved value of the property depending on which value the rate was based;
e) the particulars of any phasing in of the rate;
f) in the case of an additional rate the amount and the purpose of the rate

19.2 The fact that a person liable for the payment of a rate has not received an account sent by the municipality to that person's postal address as recorded in the municipality's property register, will not affect that person's liability to pay the amount due nor infringe on the right of the municipality to collect such an amount due.

20. AMOUNT DUE FOR RATES

The rate levied on property will be:

a) based on the value of the property in accordance with the valuation roll which is currently applicable in the municipality; and

b) an amount in the rand determined by the municipality on the total value of the property.

21. CORRECT RATING, OMISSIONS OR ERRORS

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 applicable to the property concerned, 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.

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 interest will be calculated at the applicable rate and be payable by the property owner.

22. CONSULTATION PROCESS

a) Before Council commands a new valuation in terms of the Act, a consultation process involving all interest groups will be undertaken during which the purpose and method of valuation will be explained.

b) Before the Municipality accepts the rates policy the municipal manager will follow a process of public participation, as prescribed in chapter 4 of the Municipal Systems Act, and comply with the following requirements:

(i) Display the draft property rates policy continuously for a period of thirty (30) days at the Municipality's head office, satellite offices and on the website;

(ii) Publish a notice in the media stating that the draft property rates policy was compiled for submission to Council and that such a policy is available at the different municipal offices and on the website for public inspection;

(iii) Property owners and interested persons may obtain a copy of the draft policy from the municipal office during office hours at a prescribed cost per copy;

(iv) Property owners and interested parties are invited to address written suggestions or representations to the Municipality within the period prescribed in the notice; and

(v) Council will consider all suggestions and/or representations received during the finalisation of the property rates policy.

23. SPECIAL RATING AREAS

Part A of this Policy shall apply to Special Rating Areas as envisaged in Section 22 of the Act.

24. FREQUENCY OF VALUATION

The municipality shall prepare a new valuation roll every 4 (four) years and a supplementary valuation roll annually at least once a year.

25. DATE OF VALUATION

For the purposes of a 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.

26. GENERAL BASIS OF VALUATION

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

27. ENFORCEMENT / IMPLEMENTATION

This policy has been approved by Municipal Council on 31 March 2022.

28. SAVINGS

In the event of conflict between a provision of this policy and a corresponding provision in the Act or any regulation promulgated in terms of the Act, the provisions of the Act and such regulation will prevail.

29. SHORT TITLE

This policy is the Property Rates Policy of the Kouga Municipality.

In order for the rates policy to be legally enforceable, a Rates By-Law must be approved and promulgated in the Provincial Gazette as enabling legislation.

PART A:SPECIAL RATING AREAS

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WHEREAS Section 22 of the Act entitles a Municipality to:

- Determine Special Rating Areas as envisaged in Section 22 of the Local Government: Municipal
  Property Rates Act 6 of 2004; and

- By resolution from time to time determine Special Rating Areas as envisaged in Section 22 of the said Act and levy additional rates on properties in such areas for the purposes of raising funds as contemplated in the said Section.

The following Part A to the Property Rates Policy of the Kouga Municipality shall apply to Special Rating Areas.

1. DEFINITIONS & INTERPRETATION

In this Part, unless the context indicates otherwise:

1.1 **"Applicable Legislation"** means, for the purposes of this Part, the Local Government: Municipal Property Rates Act 6 of 2004, the Kouga Local Municipality:
Property Rates By-Law and the Companies Act 71 of 2008;

1.2 **"Applicable Property Rate"** means the annual rate in Rand value payable in respect of Rateable Property falling within a SRA as determined by the Municipality prior to the determination of the SRA Rate applicable thereto;

1.3 **"Applicant"** means any Owner who makes an application for the establishment of a SRA in accordance with the provisions of this Part, or when a Management Body is established in terms hereof, any reference to the "Applicant" means the said Management Body;

1.4 **"CFO"** means the Chief Financial Officer of the Municipality;

1.5 **"Council"** means the Council of the Municipality;

1.6 **"Local Community"** has the meaning ascribed to it in the Rates Act;

1.7 **"Management Body"** means the management body of a SRA which shall only be a Non-Profit Company established in terms of the Companies Act 71 of 2008;

1.8 **"Municipality"** means the Kouga Local Municipality;

1.9 **"Owner"** has the meaning ascribed to it in the Rates Act;

1.10 **"Property"** has the meaning ascribed to it in the Rates Act;

1.11 **"Rates Act"** means the Local Government: Municipal Property Rates Act 6 of 2004;

1.12 **"Rates By-Law"** means the Kouga Local Municipality: Property Rates By-Law;

1.13 **"Rates Policy"** means the Kouga Local Municipality: Property Rates Policy including this Part A;

1.14 **"Rateable Property"** means property falling within a SRA or envisaged SRA on which the Municipality levies an Applicable Property Rate in terms of the Applicable Legislation;

1.15 **"Services"** means the improvement or upgrading of a SRA to be undertaken by a Management Body in addition to those undertaken by the Municipality in terms of its constitutional obligations;

1.16 **"SRA"** means a geographical area within the area of jurisdiction of the Municipality determined or to be determined by the Council as a Special Rating Area in terms of Section 22 of the Rates Act and this Part;

1.17 **"SRA Business Plan"** means a business plan applicable to a SRA as proposed by an Applicant;

1.18 **"SRA Property"** means each individual Property falling within a SRA or proposed SRA, excluding any property owned by the Municipality or any Municipal Entity of which the Municipality is the parent Municipality;

1.19 **"SRA Rate"** means an additional rate to be imposed and recovered by the Municipality from Owners of SRA Property, subject to such Property being Rateable

Property which shall be a percentage of the Applicable Property Rate expressed in Rands so calculated that the aggregate thereof equals the Applicant's proposed amount in its SRA Business Plan plus VAT;

1.20 **"VAT"** means Value Added Tax as defined in Value-Added Tax Act 89 of 1991;

2. PURPOSE OF THIS PART

2.1 This Part shall not detract from the entitlement of the Municipality to initiate the establishment of a SRA and to levy a SRA Rate on SRA Property for the purposes of raising funds for the improvement or upgrading of the SRA in compliance with the Applicable Legislation.

2.2 Recognizing that the improvement or upgrading of areas can:

2.2.1 Prevent the degeneration of urban areas and consequential urban decay; and

2.2.2 Facilitate the upliftment, economic growth and sustainable development of areas; and

2.2.3 Encourage investment in areas,

the purpose of this Part is to provide a framework and procedure under which Owners of Properties within the jurisdiction of the Municipality can initiate the establishment of a SRA and undertake the improvement or upgrading of the SRA funded by additional rates to be levied on the SRA Properties by the Municipality, subject to an acceptable Agreement being concluded between the Municipality and a Management Body to be established by the Owners of the SRA Properties.

2.3 The further purpose of this Part is, without detracting from the discretion of the Accounting Officer of the Municipality, to recognize that where the Services are to be rendered by a Management Body established by the Owners of the majority of SRA Properties and where the Services will be funded by SRA Rates payable by the Owners of SRA Properties, it would be justifiable for the Accounting Officer of the Municipality to dispense with the official procurement processes established by the Supply Chain Management Policy of the Municipality thereof and to prequalify any invitation to prospective parties to render the Services to the effect that only Non- Profit Companies established in terms of the Companies Act 71 of 2008 having members carrying the support of the majority of Owners of the SRA Properties by number will qualify to render the envisaged Services.

3. ESTABLISHMENT OF A SPECIAL RATING AREA

3.1 Nothing herein contained detracts from the entitlement of the Municipality to initiate the establishment of a SRA in compliance with the Applicable Legislation.

3.2 Any Owner (Applicant) of Rateable Property within the jurisdiction of the Municipality may apply to the Council for the approval of the establishment of a SRA, the proposed area of which includes such Owner's Rateable Property.

3.3 The application process referred to in clause 3.2 above shall be subject to the provisions of clauses 4 to 10, inclusive of this Part.

4. APPLICATION

Any Application for the establishment of a SRA shall be:

4.1 In writing and in such form as the Municipality may from time to time prescribe;

4.2 Submitted to the Municipality not more than 9 (nine) months after the date on which the public meeting referred to in clause 6 is held; and

4.3 Accompanied by:

4.3.1 A SRA Business Plan of at least five (5) years in duration, each year of which shall end on the 30th of June and covering a period ending on the 30th of June of the fifth year after the date proposed for the establishment of the SRA, which Plan must include at least a description of the Services to be provided by the Management Body, a draft budget and the Annual Aggregate SRA Rates which the Applicant desires the Municipality to levy on all SRA Properties which shall be identified on a schedule reflecting the SRA Property descriptions an Owners thereof;

4.3.2 A draft Memorandum of Incorporation of the proposed Management Body to be established in accordance with the provisions of clause 11 hereof;

4.3.3 Proof of compliance with the provisions of clauses 5 and 6 hereof;

4.3.4 Proposed agreements (if any) the Applicant considers necessary for the Management Body referred to in Section 11 and the Municipality to enter into for the SRA Business Plan to be successfully implemented;

4.3.5 Proof to the satisfaction of the Municipality that a majority of Owners of Rateable Property within the proposed SRA have approved the proposed SRA Business Plan and have consented to the establishment of the proposed SRA; and

4.3.6 A motivation report containing:

4.3.6.1 a list of all Rateable Properties and the registered Owners thereof within the proposed SRA, contact details of all Owners and the value of each property as set out in the Municipality's General Valuation, differentiating between categories of properties as provided for in Section 8 of the Rates Act;

4.3.6.2 a diagram clearly indicating the boundaries of the proposed SRA;

4.3.6.3 an executive summary of the improvement or upgrade proposed for the SRA as set out in the SRA Business Plan;

4.3.6.4 an explanation of how the proposed improvement or upgrade is linked to the geographical area of the proposed SRA;

4.3.6.5 an explanation of why the proposed SRA will not reinforce existing inequities in the development of the Municipal area;

4.3.6.7 an explanation of how the SRA, if determined, will be consistent with the Municipality's Integrated Development Plan;

4.3.7 The SRA Business Plan shall, inter alia, address the following:

4.3.7.1 those Services which will improve or upgrade the SRA;

4.3.7.2 how the proposed improvements or upgrades will be implemented;

4.3.7.3 by when the proposed improvements or upgrades will be achieved;

4.3.7.4 an implementation program, which clearly indicates the implementation milestones, dates and responsibilities; and

4.3.7.5 the aggregate SRA Rates that are proposed to be levied by the Municipality.

4.3.8 Payment of any administration fee as the Municipality may from time to time determine.

5. NOTICE OF APPLICATION AND ADVERTISING OF INTENTION TO HOLD A PUBLIC MEETING

5.1 Prior to the public meeting referred to in clause 6, the Applicant must:

5.1.1 Give notice of his or her intention to apply for the approval of the SRA, such notice to be given by:

5.1.1.1 publishing a notice in at least two (2) daily Newspapers circulating in the proposed SRA;

5.1.1.2 placing prominent information posters within the proposed SRA;

5.1.1.3 giving written notice of the application to all Owners of Rateable Property within the proposed SRA, such notice to be given by prepaid registered post, e-mail, facebook, whatsapp or hand delivery or in any other manner approved in writing by the Council.

5.1.2 In the notice referred to in clause 5.1.1:

5.1.2.1 give notice of a public meeting to be held in accordance with the provisions of clause 6, which notice shall state the purpose of such meeting and shall contain details of the place, date and time when such meeting is to be held;

5.1.2.2 state where the documentation specified in clauses 4.3.1, 4.3.2, 4.3.6 and 4.3.7 will be available for inspection;

5.1.2.3 state the municipal offices where, date from which and date by when written objections to the SRA Business Plan may be lodged with the Municipality.

5.2 The public meeting must be held not less than 7 (seven) days and not more than 60 (sixty) days after the date of publication of the last of the notices referred to into 5.1.1.1 above.

6. PUBLIC MEETING

6.1 The public meeting must be held at such place, date and time as advertised in terms of clause 5.

6.2 At the meeting, interested parties shall be:

6.2.1 Furnished with all relevant information relating to the proposed SRA including the draft SRA Business Plan; and

6.2.2 Given an opportunity to ask questions and express their views.

6.3 The public meeting must be held at a place within the boundaries of or not more than 5 (five) kilometers from the boundaries of the proposed SRA unless the Council approves another venue in writing before the public meeting is held.

6.4 The public meeting must be chaired by a suitably qualified and experienced person, attended by a representative of the Municipality and minutes of such meeting shall be kept, which minutes shall be available for inspection by the Local Community.

7. OBJECTIONS

7.1 Any Owner of Rateable Property within the proposed SRA or members of the Local Community may submit written objections to the establishment of the SRA, which objections must be received by the Municipality not earlier than 7 (seven) days from date of lodgment with the Council of the application in terms of clause 4 and not later than 35 (thirty five) days from such lodgment.

7.2 The Municipality may allow the Applicant and any objector to make oral representations to it, which shall be recorded in writing by an official of the Municipality and signed by the party making the representations.

7.3 The application and all objections must be available for inspection at the offices of the Municipality, for the period referred to in clause 7.1 above.

8. APPROVAL

8.1 After the provisions of clauses 4, 5, 6 and 7 have been complied with, the Council shall endeavour to consider the application within 60 (sixty) days from the last date of the submission of objections in accordance with 7.1 and:

8.1.1 Approve the establishment of a SRA in accordance with the SRA Business Plan; or

8.1.2 Approve the establishment of a SRA and the SRA Business Plan with such amendments or conditions as the Council considers to be in the Municipality's or the public interests; or

8.1.3 Refuse the application, in which event the Council shall within 30 (thirty) days furnish the Applicant with written reasons for not approving the establishment of the SRA or the SRA Business Plan; or

8.1.4 Refer the application back to the Applicant for amendment in such manner as the Council may direct.

8.2 If any application is refused by Council in accordance with the provisions of clause 8.1.3, the Applicant may at any time thereafter reapply to the Municipality for the establishment of the SRA provided that such re-application has been appropriately amended in light of the reasons for refusal by the Council.

8.3 If a SRA Business Plan is at any time before the approval thereof amended in any material respect, the Council may require that the application be re-advertised *mutatis mutandis* in accordance with the provisions of clause 5, that the public meeting envisaged in clause 6 above again be held and shall take cognizance of any objections thereto as envisaged in clause 7.

8.4 In determining whether to approve the establishment of a SRA and SRA Business Plan, the Council may consider, inter alia, the following:

8.4.1 That in terms of Section 22 of the Rates Act, the purpose of a SRA is to allow an additional rate to be levied on SRA Properties to raise funds for improving or upgrading the area;

8.4.2 That SRA's should not be used to reinforce existing inequities in the development of the Municipality's area of jurisdiction;

8.4.3 Whether the determination of the SRA is consistent with the Municipality's integrated development plan;

8.4.4 The views of the Local Community;

8.4.5 Whether the procedure or requirements of Section 22 of the Rates Act has beencomplied with;

8.4.6 Whether the proposed improvement or upgrade has been clearly and fully defined;

8.4.7 Whether the proposed improvement or upgrade can be clearly and logically linked to a geographical area, the boundaries of which can be clearly determined;

8.4.8 Whether there is evidence that it will be financially viable to use a SRA to raise funds for the proposed improvement or upgrade;

8.4.9 The history of payment and/or non-payment by Owners of Rateable Property situated within the proposed SRA of amounts due to the Municipality.

8.5 Notwithstanding the provisions hereof, it shall be at the Council's sole and absolute discretion whether to approve an SRA or SRA Business Plan.

9. ESTABLISHMENT OF A SRA AND IMPLEMENTATION OF A SRA BUSINESS PLAN

Pursuant to the determination by the Council that a SRA may be established in terms of clause 8, the SRA Business Plan may only be implemented after:

9.1 The establishment of the Management Body in terms of Section 11; and

9.2 From a date to be determined by Council with due reference to the provisions of the Applicable Legislation governing imposition of additional rates and in particular the SRA Rate to be levied on the SRA properties; and

9.3 After the conclusion of an Agreement between the Municipality and the Management Body regulating the implementation of the Management Body's Business Plan and the respective parties' roles and responsibilities.

10. AMENDMENT OF SRA BUSINESS PLANS AND EXTENSIONS OF THE TERM THEREOF

10.1 An amendment of a SRA Business Plan may be approved by Council on written application by the Management Body at any time after the establishment of the SRA.

10.2 An amendment in terms of sub-clause 1 which Council considers not likely to materially affect the rights or interests of any person including the Local Community may be approved forthwith by the Council provided that the Council may require the Management Body to cause notice of the application for such amendment to be published in daily newspapers circulating in the SRA.

10.3 An amendment in terms of sub-clause 1 which the Council considers is likely to materially affect the rights of interests of any person including the Local Community and/or which affects the SRA Rate and/or which changes the boundaries of the SRA may only be approved by Council after the Management Body has complied with clauses 4,5,6 and 7 read in context given the nature of the amendment sought provided that the Council may for good reason and on written application of the Management Body exempt the Management Body from complying with any such provisions or condone any non-compliance with any such provisions and the approval of the amendment shall be subject to the provisions of clause 8 read in context with the amendments sought.

10.4 Not earlier than 90 (ninety) days prior to the expiry of the period of the SRA Business Plan referred to in clause 4.3.1 or the expiry of any extension of the SRA Business Plan under this clause 10.4, the Management Body shall submit to the Council an application for the extension of the term of the SRA Business Plan or any extension thereof for approval by the Council provided that the sub-clause 1, such extension shall not materially affect the rights or interests of any person or member of the Local Community or change the boundaries of the SRA. The Council may, before taking a decision to extend the term of the SRA Business Plan require the Management Body to cause notice of the application for such extension to be published as envisaged in clause 5.1.1 above.

10.5. The provisions of sub-clauses 1 to 3 above shall apply in the same terms to any amendment of the SRA Business Plan which has been extended in terms of sub-clause 4 above.

10.6. In the event of any Owner of Rateable Property lodging written proof with the Municipality that Owners of Rateable Properties within the boundaries of the SRA who own not less than 50% in number of such properties do not approve the proposed amendment of extension of the SRA Business Plan, the Council shall not extend or amend the SRA Business Plan.

11. ESTABLISHMENT AND COMPOSITION OF MANAGEMENT BODY

11.1 The Applicant shall, before the SRA Business Plan is implemented in accordance with the provisions of clause 9, cause to be established a Management Body for the purposes of managing and controlling the implementation of the SRA Business Plan, which Management Body shall be a Non-Profit Company incorporated in accordance with the provisions of the Companies Act 71 of 2008 and whose Memorandum of Incorporation shall provide that only Owners of SRA properties shall qualify for membership.

11.2 The Memorandum of Incorporation of the Management Body shall furthermore provide that each Owner of each Ratable Property within the SRA shall have one vote.

11.3 The Municipality shall monitor compliance by the Management Body with the Applicable Legislation, this Part, any guidelines or policies adopted by the Municipality in terms of clause 15 and any agreements entered into between the Management Body and the Municipality, by :

11.3.1 Receiving and considering the audited financial statements referred to in clause 12.3 and any other arrangement in respect of monthly reporting and annual reports; and

11.3.2 If it elects to do so, nominating a political representative to attend and participate, but not vote, at meetings of the Management Body.

12. POWERS AND DUTIES OF MANAGEMENT BODY

12.1 Within two (2) months after receipt of the first payment by the Municipality to the Management Body in terms of this Part, the Management Body must commence to provide the Services in accordance with the SRA Business Plan and Agreement entered into between the Municipality and the Management Body.

12.2 The Management Body must comply with all Applicable Legislation, this Part and the Guidelines and Policies published by the Council from time to time in terms of clause 15.

12.3 The Management Body must provide the Municipality with its audited financial statements and annual reports for the immediately preceding financial year within three (3) months of the end of each financial year.

13. FINANCES

13.1 The financial year end of the Management Body shall coincide with the financial year end of the Municipality, which is the 30th of June.

13.2 Where a SRA has been established, the Municipality shall levy the SRA Rate on each SRA Property in accordance with the Applicable Legislation and more particularly Section 22 of the Rates Act and this Part.

13.3 The SRA Rate shall be a debt due to the Municipality and shall be payable and collected in the same manner as other rates imposed by the Municipality.

13.4 Any payment by the Municipality to the Management Body of a SRA shall be subject to the prior conclusion of an Agreement between the Management Body and the Municipality which Agreement shall regulate, inter alia, the mechanisms and manner of payment and the other terms upon which payment to the Management Body is to be made, VAT invoices to be submitted by the Management Body to the Municipality, the retention of a portion of monies collected to defray bad debt and the payment of such monies retained or portions thereof by the Municipality to the Management Body once an acceptable amount of retained funds has been reached which will cover any expected or envisaged bad debt.

14. DISSOLUTION

14.1 The Municipality may disestablish a SRA:

14.1.1 Upon written application signed by a majority of Owners of Rateable Properties within the boundaries of the SRA; or

14.1.2 After prior consultation with the Management Body, for any other good cause, whereupon the Management Body shall be wound up.

14.2 Upon the winding up of a Management Body, the assets remaining after satisfaction of all its liabilities shall be:

14.2.1 Transferred to another association or institution having objects similar to the main object of the Management Body; or

14.2.2 Utilised by the Municipality to provide additional Services in accordance with the SRA Business Plan.

15. GUIDELINES AND POLICIES

The Municipality may at any time publish Guidelines or Policies in respect of the establishment of SRA's including but not limited to guidelines or policies in respect of the areas or categories of area within which SRA's may be established and guidelines or policies regarding the Services that may be provided by the Management Body.

_____ _____

C DU PLESSIS **DATE**
MUNICIPAL MANAGER

KOUGA
local municipality
Good Governance through Service Excellence

TARIFF POLICY

PREAMBLE

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

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

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

Now therefore the Municipal Council of the Kouga Local Municipality adopts the following tariff policy.

~~TARIFF POLICY: SECTION 74 OF ACT 32/2000~~

A. REQUIREMENTS CONTINUED IN THE POLICY

1. EQUITABLE INVESTMENT

   All users of municipal services should be treated equitably.

2. PAYMENT OF INDVIDUALS

   The amount individual users pay for service should be in proportion to their use of that service.

3. POOR HOUSEHOLDS

   Poor households must have access to at cost basic services through:-

   (a) tariffs that cover only maintenance and operating costs.

   (b) special tariffs or lifeline tariffs for low levels of use or consumption of services, or basic levels of services, or

   (c) any other direct or indirect method of subsidization of tariffs for poor households. The subsidization of tariffs for poor households and other categories of users should be fully disclosed.

4. REASONABLE COSTS

   Tariffs must reflect the costs reasonably associated with rendering the service including capital, operating, maintenance, administration, and replacement costs including interest charges.

5. FINANCIAL SUSTAINABILITY

   Tariffs must be set at levels that facilitate the financial sustainability of the service considering subsidisation from sources other than the service concerned.

6. SURCHARGE TARIFFS

   Provision may be made in appropriate circumstances for a surcharge on the tariff for a service.

7. LOCAL ECONOMIC DEVELOPMENT

   Provision may be made for the promotion of Local Economic Development through special tariffs for categories of commercial and industrial users.

8. ENVIRONMENTAL OBJECTIVES

   Appropriate environmental objectives must be encouraged such as economical, effective, and efficient use of resources such as recycling of waste.

9. CATEGORISATION

Tariffs may differentiate between different categories of users, debtors, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

10. BY-LAWS TO GIVE EFFECT TO POLICY

The Council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy, and my differentiate between different categories.

B. POLICY FOR KOUGA LOCAL MUNICIPALITY

1. RATES TARIFFS

Rates tariffs will be fixed and implemented as contemplated by the rate tariff policy in terms of the Local Government Property Rates Act.

2. ELECTRICITY TARIFFS

Electricity will be measured in two ways namely: -

(a) Pre-paid metering system
(b) Conventional metering systems

2.1 PRE-PAID METERING SYSTEM

One standardised tariff will be applicable throughout the Kouga Municipality and will be equal to the tariff fixed by E.S.K.O.M. This method is preferred for the poor households and the indigent and should be encouraged.

2.2 CONVENTIONAL METERING SYSTEM

This tariff will be calculated during the budget process and based on the cost associated with rendering the service and must include capital, operating, maintenance, administration, replacement costs, and interest charges.

A clear distinction or breakdown of the tariff per cost must be indicated when the tariff is calculated, to enable the user to see how his/her payment is utilized.

An availability (Basic) fee will be charged on all property in the Kouga Municipality area of jurisdiction where and electricity supply is available whether it is connected or just readily available for connection.

There must be a differentiation between the following categories of users pertaining to the availability tariff based on the load factor and supply on the premises:

(a) Single residential
(b) Bulk supply own distribution

(c) Commercial single-phase supply
(d) Commercial three-phase supply
(e) Commercial time of use supply
(f) Industrial three- phase supply
(g) Industrial time of use supply

2.2.1 SINGLE RESIDENTIAL

This tariff will be applicable to single residential houses, flats and chalets separately supplied and metered with a maximum installation of 60 Ampere. If, for special reasons, a residential property is supplied with a three-phase connection with a maximum installation of 60 Ampere per phase, the availability charge will be three times that of a single-phase supply.

2.2.2 BULK SUPPLY OWN DISTRIBUTION

This tariff will be applicable to closed residential premises such as retirement villages, Marinas, etc, with special metering apparatus installed by the developer and under the control of a body corporate. The tariff will be based on the E.S.K.O.M. tariff which comprise a maximum demand charge active energy charge c/KWH based on high, and low demand where the high demand will be for the period April to September and low demand January – March, October to December.

Tariff will be charged on peak, standard and off-peak rates equal to that of E.S.K.O.M. No discount will be allowed for captured-energy used as the discount will be allowed for captured-energy used as the discount is allowed for in the transmission surcharge. A distribution loss charge will be based on 7,5% of the total active energy levied a transmission surcharge of 0.25c/Kwh used. An administration charge of 10% will be levied on the total account before V.A.T. is calculated.

A supply point levy can be charged as approved upon during negotiations or per written agreement. The distribution tariffs levied by the body corporate may not exceed the single residential tariffs to private households levied by the Council.

2.2.3 COMMERCIAL SINGLE-PHASE SUPPLY

Commercial single phase supply tariffs for business using less then 2000Kwh per month will pay the single residential tariff. Commercial single-phase connections using more than 2000Kwh per month will pay an availability charge of not more than 2,5 times that of single residential connections.

The maximum circuit break should not exceed 60 Ampere per installation.

2.2.4 COMMERCIAL THREE PHASE SUPPLY

This tariff will be applicable to the commercial premises supplied by a three-phase connection and the availability charge should not be more than three times the tariff for single phase commercial supply. The maximum circuit breaker installed should not exceed 60 Ampere per phase. A discount of 2,5% will be allowed on the standard Kwh charge for usage above 5000Kwh per month.

2.2.5 COMMERCIAL TIME OF USE SUPPLY

This tariff will be applicable to commercial premises where the time of use metering apparatus is installed by the owner at his cost and will be based on the tariff for bulk supply own distributions except that the charges will be based on full E.S.K.O.M tariffs applicable to the Council plus a 15% administration charge on the total account before V.A.T. is calculated.

2.2.6 INDUSTRIAL THREE PHASE SUPPLY

This tariff will be appliable to industrial premised supplied with a three-phase connection. The availability tariff will be based on the maximum demand metered per month and will be equal to the maximum demand tariff of E.S.K.O.M. A discount of 5% will be allowed on the standard Kwh charge for usage above 10 000Kwh per month.

2.2.7 INDUSTRIAL TIME OF USE SUPPLY

This tariff will be applicable to industrial premises where the time of use metering operates ate installed by the owner at his cost and will be based on the tariff for commercial time of use except that a discount of 5% be allowed on the total account before V.A.T is calculated to encourage industry in the municipal area for job creation.

2.2.8 MUNICIPAL USE

The tariff will be applicable to all municipal connections and should be based on the average Kwh charge per month payable to E.S.K.O.M.

2.2.9 SUNDRY CHARGES

That tariffs be calculated for the following: -

(a) Connection fees for single and three phase (cost +10%)

(b) Disconnection fees

(c) Re-connection fees

(d) Test of meters single, three phase and demand meters

(e) Test and investigation of installations

(f) Visits to premises i.r.o. power failures

(g) Special meter readings

(h) Temporary connections

(i) Moving of streetlamp posts

(j) Tempering with electrical meters and connections

(k) Interest on arrears

2.2.10 GENERAL POLICY

That the tariffs be calculated in such a way that under no circumstances a profit of more than 10% be made on electricity supply services, availability charges on vacant stands must be charged annually.

3. WATER TARIFFS

Water will be measured in two ways namely: -

(a) Pre-paid metering system

(b) Conventional metering system.

3.1 PRE-PAID METERING SYSTEM

Although this system is not used in the area of jurisdiction of the Municipality, this system must be investigated and used to save water and improve the cash flow of the Municipality. This method is preferred for the poor households and the indigent and should be encouraged to all residents in the area. This tariff will be applicable to all properties served with a pre-paid meter and should be calculated in such a way that the indigent and poor households be subsided due to water being an essential service rendered by the Municipality. A lifeline approach should be followed o reach this goal.

3.2 CONVENTIONAL METERING SYSTEM

This tariff will be calculated during the budget process and based on the costs associated with the rendering of the service and must include capital, operating, maintenance, administration, replacement costs and interest charges. A clear distribution or break down of the tariff per cost component must be indicated when the tariff is calculated to enable the user to see how his/her payment is utilized. An availability (basic) fee will be charged on all property in the Kouga Municipality area of jurisdiction where a water supply is available whether it is connected or just readily available for connection. There must be a differentiation between the following categories or users pertaining to the availability tariff based on the supply to the premises.

(a) Single resident

(b) High density housing units

(c) Schools, sport fields and amenities

(d) Light industrial and commercial

(e) Bulk supply own distribution

(f) Industrial properties

(g) Municipal use

3.2.1 SINGLE RESIDENTIAL

This tariff will be applicable to single residential properties and must have a lifeline tariff for the indigent connected and billed via a conventional metering system. The connection should not exceed 25mm.

3.2.2 HIGH DENSITY HOUSING UNITS

This tariff will be applicable to high density housing nits serviced through a single connection, and payable by a body corporate. The connection should not exceed 50mm. If individual owners are responsible for their own usage a operate meter for each unit must be installed on the pavement at the developers cost.

3.2.3 SCHOOLS, SPORT FIELDS, AND AMENITIES

This tariff will be applicable to schools, sport fields and amenities where the full cost will be recovered less a 50% discount on the total account before V.A.T is calculated. The sport fields must be open to all communities and the general public. The properties must be separately metered. The connection should not exceed 50mm.

3.2.4 HIGH INDUSTRIAL AND COMMERCIAL

This tariff will be applicable to light industrial and commercial properties serviced by a single supply notwithstanding the fact that the property may also be used for residential. The connection should not exceed 100mm.

3.2.5 BULK SUPPLY OWN DISTRIBUTION

This tariff will be applicable to close residential premises such as a retirement villages and marinas and under the control of a body corporate. The redistribution tariff levied by the body corporate may not exceed the single residential tariff to private households levied by the Council. The connection should not exceed 150mm.

3.2.6 INDUSTRIAL PROPERTIES

This tariff will be applicable to industrial properties and should be calculated in such a way to encourage industry in the municipal area for job creation. A 5% discount should be allowed on the total account before V.A.T. is calculated.

3.2.7 MUNICIPAL AREA

This tariff will be applicable to all municipal properties and metered and should be calculated at cost.

3.2.8 SUNDRY CHARGES

That tariffs be calculated for the following: -

(a) Irrigational water

(b) Connection fees

(c) Disconnection fees (Wal-payment)

(d) Re-connection fees (Wal-payment)

(e) Testing of meters

(f) Special meter readings

(g) Tampering with meters and connections

(h) Interest on arrears: -

Interest on arrears will be charged on all monthly and annual accounts not paid by the due date at the standard rate the same as for electricity.

(i) Availability charges

3.2.9 GENERAL POLICY

That the tariffs be calculated in such a way that under no circumstances a profit of more than 10% be made under water supply services. Availability charges on vacant stands must be charged annually. The municipal Manager is authorised to have delegated authority to impose water restrictions in any area within the municipality after consultation and advised by the Town Engineer responsible for water to do so. There may be different tariffs calculated for different areas within the municipality.

4. REFUSE REMOVAL TARIFFS

There must be differentiation between the following categories of users namely: -

(a) Single residential users.

(b) Soft businesses, offices, guest houses, single residential holiday units and bed & breakfasts;

(c) Commercial, time share units, restaurants, hotels and supermarkets;

(d) Grass cutting and plot clearing contractors;

(e) Industrial

(f) Bulk removal own collection;

(g) Garden refuse;

(h) Medical and surgical disposal.

4.1 SINGLE RESIDENTIAL

This tariff will be applicable to single residential premises and levied annually. The tariff is payable by all households whether occupied regularly or not. The tariff calculated will be for one removal per week and the Council is not obligated to supply refuse bags to all residents. A life line tariff should be calculated for the indigent and poor household.

4.2 SOFT BUSINESSES, OFFICES, GUEST HOUSES, SINGLE RESIDENTIAL HOLIDAY UNITS AND BED & BREAKFAST

This tariff is applicable to soft businesses, offices, guest houses, single residential holiday units and Bed & Breakfast premises are levied annually. The tariff is payable by all institutions whether occupies regularly or not. The tariff calculated will be for one removal per week and the Council is not obligated to supply refuse bags to all premises.

4.3 COMMERCIAL, TIME SHARE UNITS, RESTAURANTS, HOTELS & SUPERMARKETS

This tariff will be applicable_to commercial, time share units, restaurants, hotels and supermarkets and levied annually. The tariff is payable by all institutions whether occupied regularly or not.

The tariff will be per container per month for a maximum of three removals per week.

4.4 GRASS CUTTING AND PLOT CLEARING CONTRACTORS

This tariff will be applicable to grass cutting and plot clearing contractors operating from residential premises, and will be levied annually and include residential refuse.

The tariff calculated will be for one removal per week and the Council is not obligated to supply refuse bags to all premises.

4.5 INDUSTRIAL

This tariff will be applicable to industrial sites and will be levied annually. The tariff calculated will be per container per month for three removals per week.

4.6 BULK REMOVAL OWN COLLECTION

This tariff will be applicable to closed residential properties such as retirement villages and marinas.

The tariff will be levied annually and will be for one removal per container per week.

4.7 GARDEN REFUSE

This tariff will be payable in advance on request and will be per load of part thereof.

4.8 MEDICAL AND SURGICAL DISPOSAL

This tariff will be applicable to doctors, dentists, veterinary surgeons, clinics and hospitals, and will be levied annually. The tariff will be per container plus a 15% handling and administration fee.

The removal will be once a week.

Sundry charge: Special removals:

Special holder tariffs.

4.9 GENERAL POLICY

That the tariff be calculated in such a way that the service pay for itself or not being subsidized by rates by more than 5% per annum. There may be different tariff calculated for different areas within the municipality.

5. SEWERAGE TARIFFS

There must be a differentiation between the following categories of users namely;-

(a) Single residential users

(b) Poor households and indigent

(c) General residential, commercial and industrial

(d) Churches, welfare organizations and schools

(e) All other premises

(f) Municipal use

(g) Bulk services and distributions

5.1 SINGLE RESIDENTIAL AREA

This tariff will be applicable to single residential properties and must be a fixed amount and levied annually. The tariff will be calculated on the cost component of the service and no difference between a connected and tanker service, but a differentiated tariff may be levied in different areas, as long as the differentiation does not amount to unfair discrimination.

5.2 POOR HOUSEHOLD AND INDIGENT

This tariff will be applicable to poor households and the indigent and should be a life line Tariff based on maintenance and operating costs, and will be levied annually.

5.3 GENERAL RESIDENTIAL, COMMERCIAL AND INDUSTRIAL

The tariff will be applicable for residential, commercial and industrial properties and will be calculated per surcharge units as fully described in the National Building regulations and determined in the National Building regulations and determined by the Town Engineers Department, and will be levied annually.

5.4 CHURCHES, WELFARE ORGANISAATIONS AND SCHOOLS

This tariff will be applicable to churches, welfare organisations and schools and will be calculated per units as described in the National Building Regulations and determined by the Town Engineers Department. There will be a discount of 20% applicable before V.A.T and will be levied annually.

5.5 ALL OTHER PROPERTIES

This tariff will be applicable to all other properties not defined above and will be calculated per surcharge units as described in the National Building regulations and determined by the Town Engineers Department and will be levied annually.

5.6 MUNICIPALITY USE

The single residential tariff will be applicable where a municipal property is connected to the service, and will be levied monthly, and payable by the relevant department.

5.7 SUNDRY CHARGES

That tariffs be calculated for the following;-

(a) Availability charges

(b) Connection fees

(c) Removal of blockages

(d) Interest on arrears. Interest will be charged on all monthly and annual

accounts not paid by the due date at the Standard rate the same as for other services.

(e) Sewerage levy

5.8 BULK SERVICES AND DISTRIBUTION

This tariff will be applicable to retirement villages and marinas and will be calculated per residential unit with a fixed charge plus a charge per occupied unite or property sold. The tariff charged by the body corporate must not exceed the single residential tariff charged by the Council.

5.9 GENERAL POLICY

That the tariffs be calculated in such a way that the service pay for itself and are not subsidized by rate income. There may be a different tariff calculated for different areas within the municipality.

6 GENERAL TARIFFS

6.1 TOWN PLANNING DEPARTMENT

That tariffs be calculated by the Town Planning Department for the following:-

(a) Building storage fees

(b) Building plan fees

(c) Re-inspection fees

(d) Search fees

(e) Town maps fees

(f) Photo copy fees

(g) Building deposits

(h) Building without approval penalty fees

(I) Erf and town planning information

(j) Building line relaxation fees

(k) Land use application fees

(l) Guest houses signs

(m) Advertising board

6.2 TOWN ENGINEERS DEPARTMENT

That tariff be calculated by the Town Engineers Department for the following:-

(a) Burial fees

(b) Bulk services fees

(c) Vehicle access fees

(d) Curbing fees

(e) Workshops costs

6.3 COMMUNITY SERVICES DEPARTMENT

That tariffs be calculated for the following:-

(a) Plot clearing

(b) Animal carcass removal

(c) Tow away fees abandoned vehicles

(d) Storage of abandoned vehicles

(e) Enquiries water incidents

(f) Hanger fees and rents

(g) Pound fees

(h) Traditional slaughtering

(I) Hawker fees

(j) Poster deposits

(k) Library deposits

(l) Library fees

(m) Photocopies

(n) Engraving hire

(o) Visitors administration and subscription fees(library)

(p) Duplicate subscription tickets

(q) Rent activity hall library

(r) Caravan Parks rental

(s) Rent for halls and amenities

(t) Rent of chalets

(u) Deposits

(v) Sale of wood

(w) Shell kiosk rent

6.4 ADMINISTRATION DEPARTMENT

That tariffs be calculated for the following:-

(a) Voters roll

(b) Rent boathouses

(c) Beach and boat permits

(d) Riparian levies

6.5 TOWN TREASURY DEPARTMENT

That tariffs be calculated for the following:-

(a) Discount on rates

(b) Services deposits

(c) Property list print outs

(d) Valuation certificate

(e) Search fees

(f) Dog tax

(g) Cheques refer to drawer

KOUGA MUNICIPALITY



Unallocated Revenue & Building Deposit Policy

POLICY REGARDED AS SOP – CERTAIN PARAGRAPHS TO BE INCLUDED IN CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY

UNALLOCATED REVENUE AND BUILDING DEPOSIT POLICY

PURPOSE

To ensure that every receipt or deposit into the municipality's bank account is recognised or identified in order to reflect the substance of each transaction and to ensure the municipality maintains a sound accounting system.

REVENUE MANAGEMENT

Revenue management involves all the procedures necessary to ensure that the income of the municipality is properly planned and fully accounted for, and that cash, once received, is safeguarded and banked promptly.

In terms of Section 64 (2) (e) (Revenue Management) of the Municipal Finance Management Act, Act 56 of 2003; "the municipality has and maintains a management, accounting and information system which:

(i) recognises revenue when it is earned;

(ii) accounts for debtors; and

(iii) accounts for receipts of revenue;"

Municipal Bank Account Deposits, Direct Transfers (Direct Payments) and Electronic Banking

Problem statement

Direct payments such as direct deposits / bank transfers to the municipality's bank account are received without proper reference and the origin of the payment cannot always be allocated.

Process to counter the problem statement

- Identify all the direct credits on the bank statement, such as direct deposits by ratepayers, consumers and levy payers, subsidies and grants paid by National and Provincial Governments, interest on investments and miscellaneous credits.
- Process these credits by capturing to the respective votes on the system.
- Identify full details of these credits timely to avoid having to account for these credits in the Unallocated Revenue Account;

- Record all unidentified credits (receipts) in a suitable register to facilitate future claims against the amount and follow up; and
- Balance the unidentified receipts register to the Unallocated Revenue Account in the general ledger on a monthly basis.

Receipts and Clearing of Accounts

Problem statement

The payee cannot be identified when there is no reference against the receipt when it appears on the bank statement.

Process to counter the problem statement

All receipts must be correctly allocated to the relevant debtors account and furthermore the amount must be correctly allocated to the correct services paid for.

These receipts have to be identified and captured into the receipting system to ensure that debtors' accounts are credited.

Direct deposits/bank transfers to the municipality's bank account have to be accompanied by identification (reference) of the party making the deposit/ transfer.

PROCEDURES REGARDING UNIDENTIFIED RECEIPTS

- Any unknown receipts will be temporarily posted to the Creditors Account - Unallocated Revenue.
- These amounts must be traced to deposits or remittances and must be followed up by contacting the payee or bank where applicable, to verify for what or whom the payment was received.
- Unallocated deposits in the Unallocated Revenue Account should be traced as to its origin, the details of the depositor, and journalised to the correct accounts.
- Debtors / ratepayers are notified and requested to include account numbers on deposit slips when paying by internet banking and specific reference when payment is made to ensure that the unidentified deposits reduces.
- When deposits are received without adequate supporting documentation or explanation, the amounts are posted to the Unallocated Revenue Account, and it is then the responsibility of employees to investigate and clear each item and the following procedures are followed:
    - All unidentified credits (receipts) should be recorded in a suitable register to facilitate future claims against the amount and followed up;
    - Balance the unidentified receipts register to the Unallocated Revenue Account in the General ledger on a monthly basis.
    - These accounts should be monitored and reconciled on a monthly basis.

- ~~It should be manageable to reconcile and keep these accounts up to date each month, especially after all long outstanding items have been cleared and correctly allocated.~~
- After a period of 3 (three years) when no claims are made or the origin of the payment is still unknown / unidentified, the unknown receipt as posted in the Unallocated Revenue Account will be journalised to the Sundries Revenue Account in the current period. – MOVE TO CCCCDCP

REFUND OR FORFEITURE OF BUILDING DEPOSIT - MOVE TO CCCCDCP

- Building Deposits made by a customer is refundable, free of interest, on the award of an occupation certificate from the municipality, provided that no damage has been made to any of council's property or infrastructure.
- Deposits shall be forfeited to the council if not claimed by the customer within 3 years of the occupation certificate.
- The customer must notify the office of the Chief Financial Officer of any change of address in order to facilitate the refund of the deposit and submit proof of bank account in order for the refund to be effected.
- All building deposits should be recorded in a suitable register to facilitate future claims against the amount and followed up, should the customer claim for a building deposit after the 3 year period of forfeiture, the claim will be paid on condition that sufficient proof can be provided.

EFFECTIVE DATE

This policy shall be applicable for financial statement periods commencing 1 July 2012 onwards

KOUGA MUNICIPALITY



FUNDING & RESERVES POLICY

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1. INTRODUCTION

1.1 Purpose

In terms of regulation 8 of the Municipal Budget and Reporting Regulations, each Municipality must have a funding and reserves policy. It is for this reason that a policy has been developed.

1.2 Scope of Policy

This policy applies to the Kouga Municipality (hereafter referred to as the Municipality).

1.3 Objectives

The objectives of the funding and reserves policy are as follows:

- To comply with the legislative requirements;
- To ensure that the Municipality's Operating and Capital budgets are adequately funded;
- To ensure that the Municipality's provisions and reserves are maintained at the required levels, in order to mitigate unfunded liabilities in future financial years.

1.4 Definitions

The following definitions are applied in this document:

Municipality:	Kouga Municipality
Act:	Municipal Finance Management Act, Act No. 56 of 2003
IDP:	Integrated Development Plan
Council:	Council of the Kouga Municipality
SDBIP:	Service Delivery and Budget Implementation Plan
MTREF:	Medium Term Revenue and Expenditure Framework
Policy:	The Funding & Reserves Policy

2 LEGISLATION

According to the Municipal Budget and Reporting Regulations, each Municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating:

(a) projected billings, collection and all direct revenues;

(b) the provision for revenue that will not be collected;

(c) the funds the Municipality can expect to receive from investments;

(d) the dividends the Municipality can expect to receive from municipal entities;

(e) the proceeds the Municipality can expect to receive from the transfer or disposal of assets;

(f) the Municipality's borrowing requirements; and

(g) the funds to be set aside in reserves.

3. FUNDING AND RESERVES POLICY

3.1 Background

The Operating and Capital budgets are prepared on an annual basis for a three-year period, based on the Integrated Development Plan (IDP). The expenditure as proposed in these budgets must be funded from the available revenue streams, without placing an undue financial burden on consumers and ratepayers.

The impact on the Municipality's financial position is also taken into account, when considering the balancing of the budget, i.e. ensuring that revenues are sufficient to meet the proposed expenditure.

3.2 Operating Budget Principles

The Operating budget allocates funding to Directorates over the MTREF. The preparation of the Operating budget is underpinned by the following guiding principles:

1. A Balanced Budget is prepared on an annual basis;
2. Property Rates are levied in accordance with the Municipal Property Rates Act, based on land and improvements. The budget is compiled using the latest approved valuation roll as a basis, whilst also taking into account the anticipated growth in the property market. Property Rates Tariffs and Rebates are determined annually as part of the rating policy review process.
3. Projected billings for metered services, such as Electricity, Water and Sanitation - the actual consumption patterns for previous financial years are used as basis, which is then adjusted with the anticipated growth and/or

contraction in consumption patterns. The tariffs in question are determined on an annual basis, as part of the tariff setting process.

4. Projected billings for Solid Waste is based on the number of erven receiving the service. The tariffs are determined on an annual basis, as part of the tariff setting process.
5. Projected billings for the Environmental Management Fee is determined on an annual basis, including the fees as part of the tariff setting process.
6. Other income (excluding services charges) is levied in accordance with the Council's approved schedule of fees and charges. The budget is compiled based on historic trends, which is adjusted for anticipated growth in utilisation of municipal services.
7. Actual collection levels for the period immediately preceding the budget year is used as a benchmark for setting the anticipated collection levels for the ensuing financial year.
8. Interest accruing from investments is based on the investments held by the Municipality, as well as the interest income reasonably expected to be earned on surplus cash invested during the year. The budgeted financial statements are used as a guide to determine the available cash for investment purposes.
9. Budget provision is made for income attributable to the transfer or disposal of assets, as and when it arises.
10. The level of the Provision for Debt Impairment is determined, taking into account the annual collection rates targets as set out in the IDP and SDBIP.
11. The Municipality supports the principle of making adequate budgetary provision for the rehabilitation and maintenance of existing assets and infrastructure, taking financial affordability considerations into account.
12. Individual line items in the Operating Budget are subjected to close scrutiny when preparing the annual budget, to ensure proper control over the expenditure. In this regard a zero-based budget approach is followed.
13. The level of property rates and tariff increases takes into account the need to address maintenance and infrastructural backlogs, including the expansion of services.
14. An assessment of the relative capacity to implement the Budget.
15. The need to enhance the municipality's revenue base.
16. Trading services to breakeven or trade a small surplus

3.3 Capital Budget Principles

The Capital budget allocates funding to projects over the MTREF. The amounts provided for in the Capital budget will be limited to the available internal and external sources of funding, taking financial affordability considerations into account.

Budget allocations to Directorates, are based on the key service delivery priorities as reflected in the IDP.

3.3.1 Impact of Capital budget on future Operating budgets

Capital projects have a recurring effect on future operating budgets. The following main cost components should be considered before capital projects are approved:

- Additional staffing costs to man any new facility, once operational.
- Additional contracted services, i.e. external security, cleaning services, etc.
- Additional general expenditure, i.e. service costs, stationery, cleaning materials, etc.
- Additional costs to maintain the assets.
- Additional finance charges to service loans to fund the Capital budget

Projects may, however, also result in additional revenue generation. The impact that the expenditure has, must be offset by the additional revenue generated, to determine the real impact on the operating budget, and the possible effect on tariffs.

3.3.2 Borrowing Requirements

The Municipality's borrowing requirements are determined during its annual budgeting process. The amount of potential borrowing will be limited to the amount that the Municipality can financially afford to service.

4. STATEMENT OF FINANCIAL POSITION

As required by GRAP, only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus.

4.1 Provisions and Reserves

The Accounting Policy of the Kouga Municipality contains the following sections relating to provisions:

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. 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 reviewed at the Statement of Financial Position reporting date and adjusted to reflect the current best estimate.

Provision for Rehabilitation of Refuse Landfill Sites

The applicable GRAP standard states that a provision should be recognised where there is a present obligation to rehabilitate sites.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost.

The Landfill Rehabilitation Provision does not require immediate cash backing as the rehabilitation of the landfill sites will occur at a future date.

Provision for Medical, Pension, Performance bonuses and Long-term Services

The current provision for Medical, Pension, Performance bonuses and long-term services is expected to be paid out in the following year, therefore these provisions should be fully cash backed.

Donations and Public Contributions

The Accounting Policy of the Kouga Municipality contains the following section relating to donations and public contributions:

"Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by

the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue."

Unspent amounts in relation to donations, public contributions and unspent grant funding are therefore retained in cash; and are not available to fund any items on the operating or capital budget other than in terms of the conditions of the donations, public contributions or grants.

4.2 Other items to be cash backed

Consumer Deposits

Consumer deposits are regarded as creditors, i.e. the funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget.

Consumer Deposits should be retained in cash to the extent of Building deposits and hall deposits only.

Working Capital

Working capital is required to ensure cash availability in the event of emergencies. Council must retain cash for a period of 30 days, as a minimum cash balance to ensure sufficient working capital.

4.3 Capital Replacement Reserve –

The following sources of revenue must be transferred to the Capital Replacement Reserve:

- *All Augmentation fees*
- *Proceeds on Sale of Immovable Property*
- *Value-added Taxation on all Grants (excluding MIG, WSIG, INEP)*

The Capital Replacement Reserve must be utilised to fund Capital Projects during the tabling of the annual budget only.

5. Implementation of Policy

The implementation of the Policy or lack thereof (due to affordability) must be presented to the Budget Steering Committee to recommend to Council during the tabling of the annual budget.

6 Review of Policy

This is the sole policy governing the municipality's funding and reserve levels and must be reviewed annually.

PREFERENTIAL PROCUREMENT POLICY OF KOUGA LOCAL MUNICIPALITY

Contact details: **scm@kouga.gov.za** or **tenders@kouga.gov.za**

Approved by council on the: 31 January 2023 *(Item No:)*

KOUGA LOCAL MUNICIPALITY
PREFERENTIAL PROCUREMENT POLICY

PREFERENTIAL PROCUREMENT POLICY adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations, 2022.

PREAMBLE

WHEREAS the Kouga Local Municipality aims to improve the quality of life of the local community and to free the potential of each person within a framework of facilitating service delivery, through effective governance and the Council considers the need for transparent procedures that gives effect to the principle of preferential procurement.

AND WHEREAS local economic development plays a crucial role in creating a prosperous, equitable, stable and democratic society and the overall national vision of economic development is one of decent work and living standards for all in the context of qualitative improved equality in ownership, skills and access to opportunities.

NOW THEREFORE the Council of the Kouga Local Municipality resolves in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 that the principles embodied in the Preferential Procurement Regulations, 2022 are herewith integrated into the Kouga Local Municipality's Preferential Procurement Policy to form the basis of the evaluation criteria for quotations and competitive tenders that being in line with National Treasury's Directives.

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1 Definitions

In this policy, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act bears the same meaning, and:

"Acceptable Tender"	mean any tender which, in all respects, complies with the specification and conditions of tender as set out in tender document
"all applicable taxes"	includes Value-Added Tax, Pay-as-you-Earn, Income Tax, Unemployment Insurance Fund Contributions and Skills Development Levies;
"B-BBEE"	means Broad-Based Black Economic Empowerment as defined in Section 1 of the Broad-Based Black Economic Empowerment Act;
"B-BBEE status level of contributor"	means the B-BBEE status received by a measured entity based on its overall performance using the relevant scorecard contained in the Codes of Good Practice on Black Economic Empowerment, issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Bblack designated groups"	has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Black people"	has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;
"Broad-Based Black Economic Empowerment Act" (B-BBEEA)	means the Broad-Based Black Economic Empowerment Act, 2003 (Act No.53 of 2003); ,
"Comparative price"	means the price after the factors of a non-firm price and all unconditional discounts that can be utilized have been taken into consideration;
"Contract"	means the agreement that results from the acceptance of a tender by the Kouga Local Municipality.
"Designated group"	means- (a) black designated groups; (b) black people; (c) women; (d) people with disabilities; or (e) small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);
"Designated sector"	means a sector, sub-sector or industry or product designated in terms of **[clause]** paragraph 8(1)(a);
"Disability"	means in respect of a person, a permanent means, in respect of a person, a permanent impairment of a physical, intellectual, or sensory function, which results in restricted, or lack of, ability to perform an activity in the manner, or within the range, considered normal for a human being.
"EME"	means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Firm price"	is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy, or tax, which, in terms of a law or regulation, is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract;

"Functionality"	means the measurement according to predetermined norms, as set out in the tender documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of a tenderer;
"Historically disadvantaged individual (HDI)"	means a South African citizen – (1) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa,1983 (Act No 110 of 1983); and / or (2) who is a female; and / or (3) who has a disability: Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI.
"Highest acceptable tender"	means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;
"Large Enterprises"	is a company with an annual turnover in excess of R50 million.

"Local area"	means the local suppliers and/or service providers that operate within the Municipal area, the district boundaries, and the Eastern Cape.
"Lowest acceptable tender"	means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;
"Market Analysis"	means a technique used to identify market characteristics for specific goods or services
"Municipality"	The Kouga Local Municipality;
"National Treasury"	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);
"Non-firm prices"	means all prices other than "firm" prices;
"Objective Criteria"	for the purpose of section of 2(1)f of the procurement Act must be criteria other than the additional to criteria relating to equity ownership by HDI's or whether or not a bidder was located in a particular province or municipal area
"Organ of state"	The definition of organ of state in section 1 of the Act in paragraph (a) to (e) includes- • a national or provincial department as defined in the Public Finance Management Act, 1999; • a municipality as contemplated in the Constitution; • a constitutional institution as defined in the Public Finance Management Act; • Parliament; • a provincial legislature. Paragraph (f) of the definition of organ of state in section 1 of the Act includes any other institution or category of institutions included in the definition of "organ of state" in section 239 of the Constitution and recognized by the Minister by notice in the Government Gazette as an institution or category of institutions to which the Act applies. Government

	Notice R. 501 of 8 June 2011 recognises, with effect from 7 December 2011, all public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999, as institutions to which the Act applies. Note should be taken of notices issued from time to time in terms of paragraph (f) of this definition. The application of these Regulations is also subject to applicable exemptions approved in terms of section 3 of the Act.
"Person"	includes reference to a juristic person;
"Policy"	Means the Preferential Procurement Policy of Kouga Local Municipality
"Price"	includes all applicable taxes less all unconditional discounts;
"Proof of B-BBEE status level of contributor"	means- (a) the B-BBEE status level certificate issued by an authorised body or person; (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or (c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;
"QSE"	means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;
"Rand value"	means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;
"Region"	means the district and/or Sarah Baartman District Municipality.
"Rural area"	means- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or (b) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;
"Specific goals"	means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;
"Tender"	means a written offer in the form determined by Kouga Local Municipality in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;
"Tender for income-generating contracts"	means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions

"The Act"	means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
"Treasury"	has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and
"Youth"	has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

2 Introduction

The Constitution of the Republic of South Africa, 1996, provides in sections 152(1)(c) and 152(2) that local government must promote social and economic development and that the municipality must strive within its financial and administrative capacity, to achieve the objects set out in subsection 152(1).

The Constitution provides in section 217 that an organ of state must contract for goods or services in accordance with a procurement system which is fair, equitable, transparent, competitive, and cost effective and to implement a policy to grant preferences within a framework prescribed by National Legislation.

The Broad-Based Black Economic Empowerment Act, 2003 provides in section 10 that every organ of state and public entity must apply any relevant code of good practice issued in terms of the Act in (b) developing and implementing a preferential procurement policy.

The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000)-[PPPFA] was promulgated by the Minister in response to the Constitutional provision and allow for a Municipality to develop a preferential procurement policy and to implement such policy within the PPPFA framework.

Section 2 (1) (d) (i) and (ii) of the Preferential Procurement Policy Framework Act, 2000 refers to specific goals which may include:

(i) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.

(ii) implementing the programmes of the Reconstruction and Development Programme (RDP) as published in Government Gazette 16085 dated 23 November 1994.

The RDP (1994), as basis for development in South Africa, was meant to provide a holistic, integrated, coherent socio-economic policy that is aimed at mobilising people and resources to work towards the upliftment of the material and social conditions of local communities to build sustainable livelihoods for these communities.

In terms of Section 2 (1)(d)(ii), the following activities may be regarded as a contribution towards achieving the goals of the RDP, in addition to the awarding of preference points in favors of HDIs (published in Government Gazette No. 16085 dated 23 November 1994):

(i) The promotion of South African owned enterprises.

(ii) The promotion of export orientated production to create jobs.

(iii) The promotion of SMMEs.

(iv) The creation of new jobs or the intensification of labour absorption.

(v) The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province.

(vi) The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.

(vii) The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area.

(viii) The promotion of enterprises located in rural areas.

(ix) The empowerment of the work force by standardizing the level of skill and knowledge of workers.

(x) The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and

(xi) The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

3 Application of the policy

1) This policy applies to all procurement of goods and services by means of a tender as defined in paragraph 1 above.
2) This policy does not apply to public auctions or any other sale or lease of assets where it is not practical to apply a system of preference.
3) This policy must be applied concurrently with other legislative prescripts and other policies that regulates the procurement of goods and services by the municipality.

4 Purpose, and Objectives

1) The purpose of this policy is to:
   a) Provide for categories of preference in awarding of tenders.
   b) Provide for the advancement of persons or categories of persons disadvantaged by unfair discrimination; and
   c) Clarify the mechanisms how the above items in paragraph 2 (i) and (ii) will be implemented.

2) Objectives
   a) Promote Broad-Based Black Economic Empowerment (B-BBEE) - enterprises providing services and goods.
   b) Promote Small Medium and Micro Enterprises (SMME's), Joint Ventures, Consortiums, and partnerships.
   c) Implement recognized best procurement practises through effective planning, strategic purchasing, and contract management.

5 Identification of preference point system

1) The Municipality shall, in the tender documents, stipulate —
   a) the preference point system applicable; and
   b) any specific goal as envisaged in section 2(1)(d) and (e) of the Preferential Procurement Act.
2) If it is unclear whether the 80/20 or 90/10 preference point system applies—

a) an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or; or

b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

6. 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million

1) The following formula must be used to calculate the points out of 80 for price in respect of a invitation for a tender with a Rand value equal to or below R50 million inclusive of all applicable taxes:

$$Ps = 80\left(1 - \frac{(Pt - Pmin)}{Pmin}\right)$$

Where;

Ps = Points scored for price of tender under consideration. Pt = Price of tender under consideration; and Pmin = Price of lowest acceptable tender.

2) *A maximum of 20 points may be awarded to a tenderer for the specified goals for the tender.*
3) *The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.*
4) *Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.*

7 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

1) The following formula must be used to calculate the points out of 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = 90\left(1 - \frac{(Pt - Pmin)}{Pmin}\right)$$

Where;

Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and Pmin = Price of lowest acceptable tender.

2) *A maximum of 10 points may be awarded to a tenderer for the specified goals for the tender.*
3) *The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.*
4) *Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.*

8 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million

1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

a) $$Ps = 80\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where

Ps = Points scored for price of tender under consideration. Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender

2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.
3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

9 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million

1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

a) $$Ps = 90\left(1 + \frac{Pt - Pmax}{Pmax}\right)$$

Where

Ps = Points scored for price of tender under consideration; Pt = Price of tender under consideration; and
Pmax = Price of highest acceptable tender

2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.
3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.
4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

10 Points for specific goals to promote economic development

1. The tendering conditions will stipulate the specific goals, as contemplated in section 2(1)(d)(ii) of the Preferential Procurement Policy Framework Act, be attained.
2. A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), will be allocated for specific goals. These goals are:
   a) contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability.

b) the promotion of enterprises located in the local area (phased in approach to be applied for other RDP goals)

3. Regarding paragraph 10.2 (a) 50% of the 20/10 points will be allocated to promote this goal and points will be allocated in terms of the B-BBEE scorecard as follows.

B-BBEE Status Level of Contributor	**Number of Points for Preference (80/20)**	**Number of Points for Preference (90/10)**
1	10	5
2	8	4
3	6	3
4	4	2
5	3	1
6	2	1
7	2	1
8	2	1
Non-compliant contributor	0	0

4. A tenderer must submit proof of its BBBEE status level contributor.
5. A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-
   a) may only score point out of 90 for price; and
   b) scores 0 points out of 10 for B-BBEE status level of contributor, which is in line with section 2
   (1) (d) (i) of the Act, where the supplier or service provider did not provide proof thereof.
6. Regarding paragraph 10.2 (b) 50% of the 20/10 points will be allocated to promote this goal. Points will be allocated as follows:

Local area of supplier	Number of Points for Preference	
	80/20	90/10
Within the boundaries of the Kouga Local Municipality	10	5
Within the boundaries of Sarah Baartman District Municipality	6	3
Within the boundaries of the Eastern Cape	4	2
Outside of the boundaries of the Eastern Cape	1	1

7. Any specific goal for which a point may be awarded, must be clearly specified in the invitation to submit a tender.
8. Procurement up to R30 000 will be limited to the application of goals as per paragraph 10.2 (a) and
   10.3 above.
9. A tenderer failing to submit proof of required evidence to claim preferences for other specified goals, which is in line with section 2 (1) (d) (ii) of the Act.
   a) may only score in terms of the 80/90-point formula for price; and
   b) scores 0 points out of 10/5 of the relevant specific goals where the supplier or service provider did not stipulate.
10. The preference points scored by a tenderer must be added to the points scored for price.
11. The points scored must be rounded off to the nearest two decimal places.
12. The contract must be awarded to the tenderer scoring the highest points.

11 Criteria for breaking deadlock in scoring

1. If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.
2. If two or more tenderers score an equal total number of points, the objective criteria in addition to those contemplated in paragraphs (d) and (e) justify the award to the tenderer that scored the highest points in terms in accordance with section 2(1)(f) of the Act.
3. If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

12 Award of contracts to tenderers not scoring highest points

A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.

13 Remedies

1. If a Municipality is of the view that a tenderer submitted false information regarding a specific goal, it must——
   a) inform the tenderer; accordingly, and
   b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part—
2. After considering the representations referred to in paragraph 12 (1)(b), the Municipality may—
   a) if it concludes that such false information was submitted by the tenderer—
      i) disqualify the tenderer or terminate the contract in whole or in part;
      and ii) if applicable, claim damages from the tenderer.

14 Performance management

The specific goals achieved through the application of the Preferential Procurement Framework Act, 2000 will be monitored in terms of the elements embedded in the Supply Chain Management Policy.

15 Repeal of policy

1. This Policy repeal all previous preferential procurement policies of the municipality in its entirety.
2. Any tender advertised before the date referred to in paragraph 15 must be dealt with in terms of the Preferential Procurement Regulations, 2017.

16 Short title and commencement

This part of the policy is called the Preferential Procurement Policy of the Overstrand Municipality. This policy will come into effect on **31 January 2023** and will be reviewed at least annually by way of a Council resolution:

POLICY SECTION:	**MANAGER: SUPPLY CHAIN MANAGEMENT**				
CURRENT REVIEW	2023/01/31	PREVIOUS REVIEW		PREVIOUS REVIEW	

Specific Goals Categories, the weighting below can be changed or vary from project to project. Please note that specific goals might not be feasible to be applied in some project. The SCM Manager must decide prior BSC submission as to what Specific Goals would be used for each project/ tender advertised.

NO	Specific Goals Categories	Max points allocation Number of Points for Preference (80-Price/20 Specific Goals);	Max points allocation Number of Points for Preference (90-Price/10 Specific Goals);
1	BBBE	10	5
2	Local area of supplier or contractors	10	5
3	The promotion of SMMEs.	10	3
4	The creation of new jobs or the intensification of labour absorption.	4	2
5	The empowerment of the work force by standardizing the level of skill and knowledge of workers.	3	1
6	The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and	2	1
7	The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.	2	1
8	The promotion of export orientated production to create jobs.	1	1

KOUGA MUNICIPALITY

POLICY:
ASSETS MANAGEMENT

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ASSET MANAGEMENT POLICY

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ASSET MANAGEMENT POLICY DOCUMENT

1. Aim of this document

This document on the Kouga Municipality Fixed Assets Management is provided to assist Management and Officials of Kouga Municipality on Asset related issues and to ensure consistent, effective and efficient asset management principles.

The aim of this policy is to ensure the effective and efficient control of the municipality's capital assets through:

a) Proper recording of capital assets from authorisation to acquisition and to subsequent disposal;
b) Providing for safeguarding procedures;
c) Setting proper guidelines as to authorised utilisation; and
d) Prescribing for proper maintenance.

To assist officials in understanding their legal and managerial responsibilities regarding capital asset.

The objective of this document is aimed at:The objective of this document is aimed at:

- To safeguard the fixed assets of Kouga Municipality and to ensure the effective use of existing resources
- To emphasise a culture of accountability over Kouga Municipality's fixed assets
- To ensure that effective controls are communicated to management and staff through clear and comprehensive written documentation
- To provide a formal set of financial procedures that can be implemented to ensure Kouga Municipality financial asset policies are achieved and are in compliance with the Generally Recognised Accounting Practice (GRAP)General Accepted Accountant Procedures (GAMAP) and Municipal Finance Management Act (MFMA).
- To establish the criteria that must be met before capital expenditure can be capitalised as an asset in the Balance Sheet.
- To classify the different categories of assets according to the asset's nature, use and location.
- To set up rules to determine the value of assets that will be brought into the books and records of the Kouga Municipality.
- To set rules for establishing the useful life of the category of assets.
- To set specific rules for the calculation of depreciation per asset category.
- To set criteria for the future revaluation of assets.
- To set procedures for the scrapping and sale of assets.
- To set procedures for the management and control of assets.
- To establish procedures for the annual physical verification of assets
- To set procedures on the treatment of assets held under finance leases
- To set procedures on the handling of inventory assets.

This manual replaces / supersedes all financial policy instructions that have previously been issued.

Failure to comply with the prescribed policies will result in the institution of disciplinary procedures in terms of the stipulated conditions of employment of Kouga Municipality.

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1.1 BACKGROUND

The proper utilisation and management of capital assets is one of the prime mechanisms by which a municipality can fulfil its constitutional objectives for:

a) Delivery of sustainable services;
b) Promotion of Social and economic development;
c) Promoting a safe and healthy environment; and
d) Providing for the basic needs to the community.

The municipality has a legal and moral obligation to ensure it implements policies to provide for the effective and efficient usage of its capital assets over the useful life thereof.

The asset management policy deals with the municipal rules required to ensure the enforcement of appropriate stewardship of capital assets.

Stewardship has three components being the:

a) Management, utilisation and control by the Municipal Officials;
b) Financial administration by the Chief Financial Officer; and
c) Physical administration by the Senior Managers

Statutory provisions exist to protect public property against arbitrary and inappropriate management or disposal by a local government.

Accounting standards are set to ensure the appropriate financial treatment for capital assets. The requirements of these accounting standards include:

a) The compilation of capital asset registers recording all capital assets controlled by the municipality;
b) Accounting treatment for the acquisition, disposal, recording and depreciation of capital assets; and
c) The standards to which these financial records must be maintained.

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2. Policy Authority and Responsibility

Any departures from the approved policies stated in this manual will require the prior written approval from the following authority and persons:

APPROVAL:	Kouga Municipality: EXCO and Council
MAINTAINED BY:	Financial Division: Asset Management
IMPLEMENTED BY:	Kouga Municipality: Departmental Heads.
EXECUTION:	Kouga Municipality: Departmental Heads and Officials.
SUPPORTED BY:	Finance Division: Asset Management

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3. Asset Management Accounting Policies

Definitions

Consistent definitions are essential for good asset management and reporting. These definitions were taken from the Generally Recognised Accounting Practise guidelines regarding assets:

3.1 Amortisation

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

3.2 Asset

is resources controlled by the Municipality as a result of past events and from which future economic benefits or potential service provision are expected to flow to the municipality

3.3 Carrying value

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

3.4 Community Assets

are assets that contribute to the community's well-being. Examples are parks, libraries and fire stations.

3.5 Cost

Cost of a fixed asset includes the cost of activities necessarily incurred to bring the fixed asset to the condition and location essential for its intended use (e.g. purchase price plus transport and installation).

Vat input tax should be included in the cost of a fixed asset only if the tax cannot be claimed (e.g. vat on passenger vehicles acquired).

3.6 Component

means a specific part of a complex item that has independent physical or functional identity and specific attributes such as different life expectancy, maintenance and renewal requirements and regimes, risk or criticality.

3.7 Development

is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of production or use.

3.8 Depreciation

Is the systematic allocation of the depreciable amount of an asset over its useful life.

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3.9 Depreciable Amount

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

3.10 Fair Value

is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

3.11 Finance Lease

is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred

3.12 Fixed Assets

A fixed asset is an asset with a useful life of more than one year and is used in the business of Kouga Municipality.

Characteristics of a depreciable fixed asset are the following:

- It is estimated that the asset will be used for more than one financial period;
- Has a limited useful life;
- Is used in a process of delivering services

3.13 Heritage Assets

are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations .
Examples are works of art, historical buildings and statutes.

3.14 Infrastructure Assets are assets that are part of a network of similar assets.
Infrastructure Assets usually display the following characteristics:

- they are part of a system or network;
- they are specialised in nature and do not have alternative uses;
- they are immovable; and they may be subject to constraints on disposal
- Examples are roads, water reticulation schemes sewerage purification works.

3.15 **Impairment loss of a cash-generating asset**

is the amount by which the carrying amount of a capital asset exceeds its recoverable amount;

3.16 **Intangible asset**

is an accounting group which is an identifiable non-monetary asset without physical substance

3.17 Investment Properties

is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:

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

3.18 Material

omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made based on the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The size or nature of the information item, or a combination of both, could be the determining factor. (GRAP 1)

3.19 **Other assets**

is an accounting subgroup of Property, plant and equipment which is defined as capital assets utilised in normal operations administrative function of the municipality, Examples are plant equipment, office buildings, motor vehicles, office equipment and furniture and computer equipment etc

3.20 Property, Plant and equipment are tangible assets that:

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

3.21 Residual Value

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

3.22 Recoverable Amount

of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

3.23 Research

is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Research will only constitute a capital expense when it can be linked to an asset.

3.24 Senior Managers

mean officials who reports directly to the Municipal Manager and are defined in terms of section 56 of the Municipal Systems Act, Act 32 of 2000

3.25 Useful life" is either:

(a) The period over which a capital asset is expected to be available for use by an entity, or
(b) The number of production or similar units expected to be obtained from the capital asset by an entity.

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4 STATUTORY AND REGULATORY FRAMEWORK

4.1. This policy must comply with all relevant legislative requirements including:

a) The Constitution of the Republic of South Africa, 1996;
b) Municipal Structures Act, Act 117 of 1998;
c) Municipal Systems Act, Act 32 of 2000;
d) Division of Revenue Act (enacted annually);
e) Municipal Finance Management Act, Act 56 of 2003.

4.2. This policy must comply with the standards specified by the Accounting Standards Board. The relevant currently recognised accounting standards include:
a) GRAP 13 - Leases (Specifically Finance leases);
b) GRAP 16 - Investment Properties;
c) GRAP 17 - Property, Plant and Equipment;
d) GRAP 21 - Impairment of Non-cash-generating Assets;
e) GRAP 26 - Impairment of Cash-generating Assets;
f) GRAP 27 - Agriculture;
g) GRAP 31 - Intangible assets; and
h) GRAP 103 - Heritage assets.

4.3. This policy does not overrule the requirement to comply with other policies such as Supply Chain Management or Budget policies.

5 RESPONSIBILITIES AND ACCOUNTABILITIES

5.1 The Accounting Officer is responsible for the management of the capital assets of the municipality, including the safeguarding and the maintenance of these capital assets.

5.2. The Accounting Officer must take all reasonable steps to ensure that:

- The municipality has and maintains a management, accounting and information system that records all the capital assets of the municipality;
- The municipality's capital assets are valued in accordance with recognised standards as prescribed by statutes and/or regulations;
- That the municipality has and maintains a system of internal control of capital assets, including a capital asset register; and
- That Senior Management complies with this policy.

5.3. The Chief Financial Officer is responsible to the Accounting Officer to ensure that the financial investment in the municipalities' capital assets is properly recorded.

5.4. The Chief Financial Officer must take all reasonable steps to ensure that:

- Appropriate systems of financial management and internal controls 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;
- The systems, processes and registers required to substantiate the financial values of the municipality's capital assets are maintained to standards sufficient to satisfy the requirements of all statutes;

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- 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 Accounting Officer is appropriately advised on the exercise of powers and duties pertaining to the financial administration of capital assets; and
- The Senior Managers and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of capital assets.

5.5. The Chief Financial Officer may delegate or otherwise assign responsibility for performing these functions but will remains accountable for ensuring these activities are performed.

5.6. The Senior Managers must take all reasonable steps to ensure that:

- Appropriate systems of physical management and controls are established and carried out for capital assets in their areas of responsibility;
- The municipal resources assigned to them are utilised effectively, efficiently, economically and transparently;
- The capital assets under their control are appropriately safeguarded and maintained to the extent necessary and that risk management systems are in place and applied;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- The asset management systems and controls can provide an accurate,reliable and up to date record of capital assets under their control;
- They can justify that their asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives;
- The purchase of capital assets complies with all municipal policies and procedures.
- All moveable capital assets are duly processed and identified and inspected as being in order before it is received into their stewardship;
- All moveable capital assets received into their stewardship are appropriately safeguarded against inappropriate use or loss. This will include control over the physical access to these capital assets and regular stock takes to ensure that no losses have occurred. Any known losses should be immediately reported to the Chief Financial Officer; and
- Capital assets are appropriately utilised for the purpose for which the municipality acquired them.

5.7. The Senior Manager may delegate or otherwise assign responsibility for performing these functions but will remain ultimately accountable for ensuring these activities are performed.

6. Purchase of an Asset

Before a capital project is included in the budget for approval, the Senior Manager must demonstrate, and the Council must consider:

- The projected cost over all the financial years until the project is operational;
- The future operational costs and revenue of the project, including tax and tariff implications;
- The financial sustainability of the project over its life including revenue generation and subsidisation requirements;

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- The physical and financial stewardship of that capital asset through all stages in its life including acquisition, installation, maintenance, operations, disposal and rehabilitation;
- The inclusion of this capital project in the integrated development plan and future budgets; and
- Alternatives to this capital purchase.

The Chief Financial Officer is accountable to ensure the Senior Managers receive all reasonable assistance, guidance and explanation to enable them to achieve their planning requirements.

Capital items not purchased in the financial year as approved on the IDP and capital budget of the Municipality may only be transferred to the next financial year if it is approved by the Municipalities Executive Committee and Council. These approved transfers must be included as roll-over amounts in the capital budget for the new financial year

7. Transfer of Fixed Assets from State Departments or other Municipalities

7.1 The entire individual fixed asset items that are transferred from State Departments or other Municipalities to Kouga Municipality have to be valued, as these assets will represent the take on values for Kouga Municipality.

All the relevant assets are acquired by Kouga Municipality based on the going concern concept at values as per paragraphs 3.1 to 3.25

7.2 After all the assets have been valued, their useful lives will be determined as the transferred assets will be depreciated over their useful lives

7.3 The transferred assets will be valued on the following bases;

- Motor vehicles will be valued at the trade value of each vehicle per the latest Auto Dealers Guide.
- Furniture and fittings and office equipment must be included as estimations.
- Building and grounds will be valued as per valuation roll.

7.4 Desktop and laptop computers and printers will be valued by:-

- extracting a schedule of each type and model of personal computer, comprising CPU, monitor, keyboard and mouse;
- requesting our computer consultants to place a value on each of the types of personal computer and printer;
- Applying the above values to the quantity of each type of personal computer and printer in use at each office.

8. Recognition of Assets

5. Capitalisation of Fixed Assets
5.1 Fixed assets with a cost or value of R2 500-00 or more per unit will be capitalised and therefore recorded in the Fixed Asset Register and depreciated over its useful life.

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5.2 Fixed assets with a cost or value of less than R2 500-00 will be written off to the Income Statement as Inventory Assets on purchase and will not be recorded in the Fixed Asset Register.

5.3 All changes to computers, i.e. software, motherboards and cards within a personal computer will be written off on purchase to computer repairs and replacements.

5.4 Recoverable works e.g. water-, sewerage- and electricity connections will not be capitalised as an asset. These expenses will be debited directly to the Income Statement. (refer to 12.1 for more detail)

5.5 Roads and Robots with a value of more than R2 500-00 will be capitalised per extension situated in the Municipality. Other traffic signs with a value of more than R2 500-00 will be maintained in the asset register per road.

5.6 All Infrastructure Assets will where possible be capitalised per individual asset (component) that forms part of the Infrastructure asset. (E.g. for a water reservoir the reservoir will be split from the pumps, generator and pipes that contributed to the total amount of the Infrastructure asset.)

5.7 Any asset e.g. roads, street lighting and storm water curbs that is obtained and managed by Kouga Municipality as a result of Township Development will be capitalised as an asset when it occurs.

Assets will only be capitalised as an asset in the balance sheet when the following criteria are met.

- Future economic benefits or potential service delivery associated with the asset will flow to Kouga Municipality.
- The cost of the asset can be measured accurately, and
- The amount of the asset exceeds the amount of R2 500-00
- All risks and rewards relating to an asset item have been passed to Kouga Municipality and therefore Council controls the asset item.
- A valid tax invoice to Council or other transfer document that transfers ownership to Council exists.

8.1 Self-constructed assets

A capital asset shall be recorded in the capital assets register as soon as it is acquired. If the capital asset is constructed over a period, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately recognised as a capital asset.

Cost of self-constructed assets will be determined from requisitions of inventory used, timesheets of labour cost as well as from invoices of creditors and suppliers.

A self-constructed asset with a lifespan of more than a year will be capitalised as an asset when all criteria for an asset as stated above is met and will be capitalised as follows:

- The total value of the inventory or spare parts used to build the asset will be capitalised as an asset.

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8.2 Repairs and improvements to fixed assets

Where repairs and maintenance are incurred to improve a specific asset (i.e. the improvement will increase capacity or extend the useful life of the asset), the cost of the improvement must be capitalised against the fixed asset affected, and written off **over the remaining life of the asset.**

Where repairs and maintenance expenses are incurred to repair or service a specific asset and it does not extend the lifespan of the asset, the cost thereof must be written off to repairs and maintenance in the income statement.

Maintenance is further required to be classified between **Preventative Maintenance and Corrective Maintenance**, as directed in terms of an anticipated maintenance plan.

Preventative Maintenance

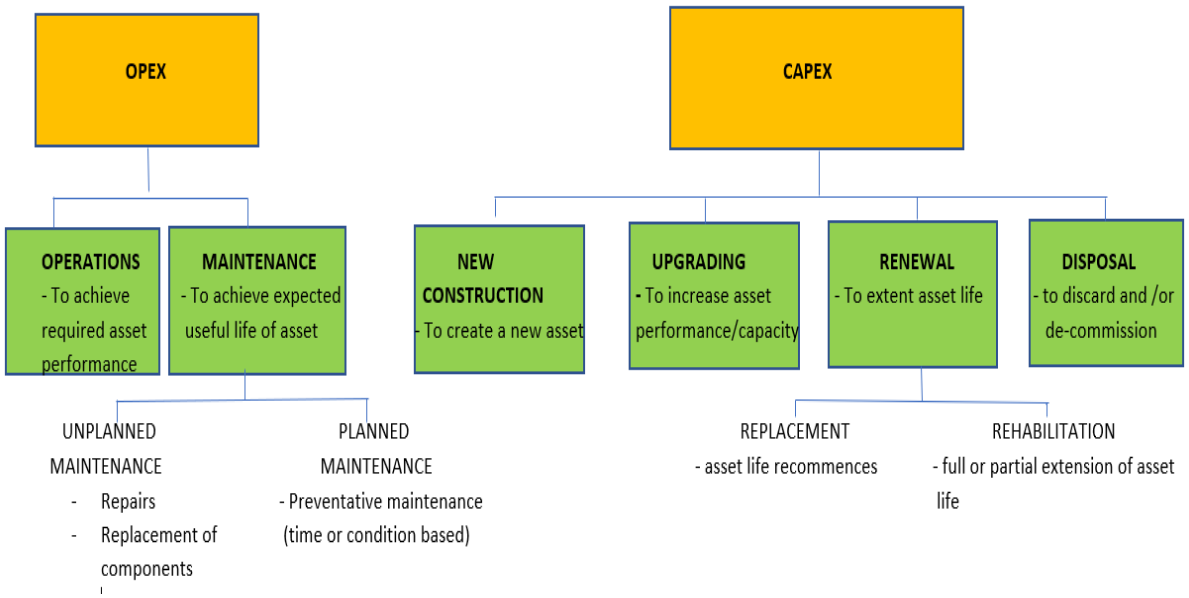
Maintenance carried out at predetermined intervals, or corresponding to prescribed criteria, and intended to reduce the probability of failure or the performance degradation of an item. Preventative maintenance is planned or carried out on opportunity.

- **Interval Based**: Maintenance carried out at predetermined intervals.
- **Condition Based**: Maintenance carried out based on prescribed criteria, such as indicators of condition.

Corrective Maintenance

Maintenance carried out after a failure has occurred and intended to restore an item to a state in which it can perform its required function. Corrective maintenance can be planned or unplanned.

- **Planned**: Corrective Maintenance which has been anticipated and planned.
- **Emergency**: Corrective Maintenance which has not been anticipated and results from an emergency/disaster.



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9. Fixed Assets and Depreciation

9.1 Depreciation

Depreciation can only be written off if the useful life of an asset is established.

All assets will be written off on the straight-line method from the acquisition date of the asset on a monthly basis.

The depreciation charge for each period will be recognised as an expense in the Income Statement.

When it is known that an asset will involve significant removal, restoration or other costs at the end of its useful life the accounting procedures will be as follows:

- The estimated cost that will be incurred at the end of the assets useful life will be recognised as an expense over the expected life of the asset as a liability until the expected expense is fully provided for.

- When the cost is incurred it will be offset against the created liability.

The following policies will apply to existing-, purchased and other assets obtained from third parties:-

9.2 Computer equipment

Will be recorded at cost and written down to R1 over their useful lives by the straight-line method of depreciation.

9.3 Furniture fittings and equipment

Will be recorded at cost and written down to R1 over their useful lives by the straight-line method of depreciation.

9.4 Office equipment

Will be recorded at cost and written down to R1 over their useful lives by the straight-line method of depreciation.

9.5 Motor vehicles

Will be recorded at cost and written down to R1 over their useful lives by the straight-line method of depreciation.

9.6 Leased assets

Fixed assets obtained under finance leases and suspense sale agreements are capitalised at cost excluding finance charges and written down to R1 over the period of the lease.

Lease finance charges are accrued and are written off to the Income Statement as they become due based on the effective rate of interest method.

9.7 Research and development

Expenditure on research and development is normally charged against operating income and not deferred. However, development costs are capitalised in respect of

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unique projects that are deemed to be useful to Kouga Municipality. Costs thus capitalised are amortised over the estimated useful lives of the asset or system.

Development costs are only capitalised when the following criteria are met:

- the project is clearly defined and the costs attributable to the project can be separately identified and measured reliably;
- the technical feasibility of the project can be demonstrated;
- the usefulness of the project to Kouga Municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project.
- The cost of the research and development can directly be linked to an asset or category of assets.

10 Useful life of Assets

The useful life of infrastructure-, community-, recreational- and other assets are categorised below.

Heritage Assets are not reflected in the asset life schedule below because no useful life can be established for heritage assets as there is difficult to determine the lifespan of painting or statue etc.

In compliance with the requirements of mSCOA and GRAP standards; the CFO shall ensure that all assets are classified under the following headings, and directors of departments shall in writing provide the CFO with such information and assistance as is required to compile a proper classification.

Useful lives - Estimated useful lives per category of asset are as follows:

CATEGORY	ASSET LIVE
Infrastructure Assets:	
Electricity	
Power stations	30 years
Cooling Towers	30 years
Meters	15 years
Load Control Equipment	20 years
Switchgear Equipment	20 years
Supply/reticulation	20 years
Mains	20years
Roads	
Motorways	15 years
Other Roads	10 years
Traffic Islands	10 years
Traffic Lights	15 years
Street Lighting	15 years
Overhead Bridges	30 years
Storm Water Drains	20 years
Bridges, Subway & Culverts	30 years
Car Parks	20 years
Bus Terminals	20 years

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Water	
Meters	15 years
Mains	20 years
Rights	20 years
Supply/Reticulation	20 years
Reservoirs and Tanks	20 years
Sewerage:	
Sewers	20 years
Outfall Sewers	20 years
Purification Works	20 years
Sewerage Pumps	10 years
Sludge Machines	10 years

Community Assets	
Buildings:	
Ambulance Stations	30 years
Care Centres	30 years
Cemeteries	30 years
Clinics and Hospitals	30 years
Community Centres	30 years
Fire Stations	30 years
Game Reserve and Rest Camps	30 years
Indoor Sport stadiums	30 years
Libraries	30 years
Museum and Art Galleries	30 years
Parks	30 years
Public conveniences	30 years
Recreation Centres	30 years
Stadiums	30 years
Old Age Homes	30 years
Taxi Ranks	30 years
Recreational Assets:	
Facilities:	
Bowling Greens	20 years
Tennis Courts	20 years
Swimming Pool	20 years
Golf Course	20 years
Jukskei Pitches	20 years
Outdoor Sport Facilities	20 years
Lakes and Dams	20 years
Fountains	20 years
Floodlighting	15 years

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Cricket Field	20 years
Security Measures:	
Fencing	3 years
Security Systems	5 years
Access Control	5 years
Other Assets:	
Buildings:	
Caravan parks	30 Years
Compacting Stations	30 Years
Housing Schemes	30 Years
Laboratories	30 Years
Nurseries	30 Years
Office Buildings	30 Years
Quarries	30 Years
Stores	30 Years
Tip Sites	30 Years
Training Centres	30 Years
Transport Facilities	30 Years
Workshops and depots	30 Years
Office Equipment:	
Computer Hardware	3 years
Computer Software	3 years
Office Machines	3 years
Air Conditioners	7 years
Photocopy Machines over R50 000	5 years
Other Photocopy Machines	3 years
Faxes	3 years
Furniture and Fittings:	
Chairs	10 years
Tables	10 years
Desks	10 years
Cabinets	10 years
Cupboards	10 years
Fire Cabinets	10 years
Miscellaneous	10years
Bins and Containers:	
Bulk Containers	5 years
Emergency Equipment:	
Fire	15 years
Ambulances	10 years
Fire hoses	5 years
Emergency Lights	5 years
Motor Vehicles:	
Fire Engines	10 years
Motor Vehicles	5 years
Motor Cycles	5 years
Trucks / Bakkies	5 years

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Plant and Equipment:	
Graders	7 years
Tractors	7 years
Mechanical Horses	7 years
Farm Equipment & Pesticide Sprayers	5 years
Lawnmowers	2 years
Brush Cutters	2 years
Compressors	5 years
Laboratory Equipment	5 years
Radio Equipment	5 years
Fire Arms	5 years
Telecommunication Equipment	5 years
Irrigation Systems	7 years
Conveyors	7 years
Feeders	7 years
Tippers	7 years

The useful life schedule must be used for all new and existing assets unless:

- A more appropriate useful life can be motivated by the Department that acquires the asset, and
- The change in the useful life of the Asset as motivated by the Department is approved by the Chief Financial Officer.

If the useful life of an asset cannot be determined from the useful life schedule and it is impossible to estimate the useful life of the asset the accounting procedures will be as follows:

- An annual assessment of the asset will be done by Heads of Departments to determine the deterioration of the asset and the potential service delivery for future benefits to the Municipality.
- On this assessment the Municipality will account for a depreciation charge where major deterioration has occurred, through the Income Statement as expenditure.
- The above will adjust the carrying value of the asset on the Financial Statements accordingly.

Review of the useful life of an asset.

All Assets will be investigated annually to ensure that the useful life of the asset is still in line with the original estimated useful life of the asset.

The depreciation charge for current and future periods will be adjusted accordingly, when it is determined that the useful life of an Asset at a specific period differs significantly from the original useful life estimation of the asset.

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11 Recovery of the carrying amount

11.1. Impairment

When the recoverable amount of an Asset has declined below the carrying amount of the asset the accounting procedures will be as follows:

- The carrying amount of the asset will be reduced to the recoverable amount of the asset.
- The amount in reduction will be recognised as an expense in the Income Statement.

11.2 Subsequent increase in the recoverable amount of an asset

It can happen that the recoverable value of an asset recovers in such a way that it exceeds the carrying value of an asset that was previously written down by means of impairment.

This asset's carrying value will only be written back to its original value if:

- The circumstances or events that led to the write down of the value of the asset cease to exist.
- There is evidence that the new circumstances and events will persist for the foreseeable future.
- The Asset's original carrying value has never been influenced by impairment or a write-up of the carrying value.

The amount of write-up must be recorded as an income in the Income Statement.

12. Initial Measurements of Land and Buildings

There are essentially three major classification of the fixed property namely;

- Property Plant and Equipment;
- Investment Property;
- Heritage Assets

12.1 Property Plant and Equipment (GRAP 17)

Property Plant and Equipment (PPE) represents a major portion of the asset base of the Municipality and is therefore significant in the presentation of its financial position (balance sheet).

12.2 Investment Property (GRAP 16)

Investment property is land and/or buildings (or part of a building) held to earn rentals and/or capital appreciation and is distinguished from property, plant and equipment that are occupied and used by the municipality.

Investment property is also not land and/or buildings held for sale in the ordinary course of business. As the definition implies, the intention is to earn a return on the investment

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made in the asset and to benefit from capital appreciation. Houses to asset custodians, hostels, etc. will not qualify as investment property as the primary objective of these facilities are to provide a service, e.g. housing, sport and recreation rather than to earn rental revenue or capital appreciation (or both).

In general, investment property will entail property leased under an operating lease to a lessee, where the Municipality acts as lessor. Property leased under a finance lease will however not qualify as investment property (as the property is "sold" to the lessee).

A property constructed by the Municipality that will be held as an investment property should not be treated as such until it is ready for its intended purpose (i.e. until it meets the definition of investment property). Until such time, it should be accounted for according to GRAP 17. Similarly, property being constructed on behalf of a third party does not constitute investment property and should be accounted for as a construction contract in terms of GRAP 11. Properties held for sale in the ordinary course of business should be recognized as inventory and accounted for in terms of GRAP 12.

It should be clear from the above that the classification of land and/or buildings (or part of a building) as investment property depends on the *intention* of management and therefore requires judgement to determine whether a property qualifies as investment property. Criteria therefore have to be developed to ensure that judgement is exercised consistently.

In practice, the classification of an asset as either PPE or investment property is complicated when the asset is used both for investment and administrative purposes. Separate accounting can only be applied if it is possible for the portions to be sold separately or leased out separately under a finance lease.
For example, the Municipality might own a four storey office building and only use the bottom two floors for its administrative function, whilst renting out the upper two floors. If the municipality could sell floors separately or lease them out on a finance lease, it should treat the lower half of the building as PPE (owner occupied property) and the upper half as investment property.

Where the portions cannot be sold or leased out separately, the property is only classified as investment property if an insignificant portion is used for service delivery or administrative purposes. It will not be permissible to apportion the property between an "investment" and an "owner occupied" element.

Either the whole building is treated as investment property or as owner occupied property. There is no guidance in the standard as to what constitutes an "insignificant" portion, this is left to the discretion of management based on the specific circumstances of each transaction.

Property that the Municipality owns and which is occupied by a municipal entity (or vice versa) cannot be classified as investment property in the consolidated financial statements. From the perspective of the economic entity, the property is owner occupied and should be treated as PPE. Examples of property that would be	Examples of property that would not be classified as investment property

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classified as investment property	
• Property held for long-term capital appreciation • Property leased out by another party under an operating lease. Vacant property held for the purpose of leasing in the future ; and • Land and buildings held for undetermined use	• Property that is leased out to another party under a finance lease; • Property held for sale in the ordinary course of business • Property that is owner occupied • Property that is in the process of being constructed or developed

All land and buildings must be leased at market related prices.

12.3 Heritage Assets (GRAP 17 para 6)

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset if, and only if:

(a) It is probable that future economic benefits or service potential associated with the asset will flow to the Municipality; and
(b) The cost or fair value of the asset can be measured reliably.

For the heritage asset to be recognised in accordance with the criteria in (a) and (b) above, the heritage asset needs to be controlled by the Municipality as a result of past events. Even though the Municipality may be restricted from disposing of a heritage asset based on a stipulation imposed by, for example, a trust, statute or law, or from the transferor's stipulations, the heritage asset is still controlled by the Municipality when it is able to generate future economic benefits or service potential from the asset. Accordingly, the Municipality recognizes the heritage asset when the recognition criteria in paragraph (a) and (b) above are met.

Future economic benefits or service potential flowing from a heritage asset may include revenue, for example an entrance fee charged by a museum. The revenue generated by the entity under such circumstances is normally insignificant compared to the operating costs of the museum and will not result in accounting for the heritage asset as an investment property. The revenue generated is rather used towards the maintenance of the heritage asset. The heritage asset should, however, be accounted for in terms of the GRAP Standards as the heritage value attached to the specific asset constitutes the heritage asset's service potential.

In some instances, items of property, plant and equipment may be required to safeguard the heritage assets. For example, a museum may maintain a constant room temperature to safeguard a manuscript collection using a specialised air conditioning system. Such items of property, plant and equipment are recognised as assets in terms of GRAP 17 on *Property, Plant and Equipment* and not as part of the cost of the heritage asset.

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12.4 Initial Measurements of Assets cost model

An fixed property item will initially be measured at its cost price

The cost of an asset item will include the following:

- Import duties
- Non Refundable purchase Taxes
- Any other direct attributable costs used to bring an asset to a working condition. (E.g. Delivery and handling cost, installation cost, professional fees etc.)

The cost of an asset will not include the following:

- Trade discount received
- Rebates received
- Interest paid

12.5 Capitalisation of Assets Exchanged for dissimilar assets

When an asset is acquired by way of an exchange for a dissimilar asset the following the capitalisation will be as follows:

- The cost of the asset received as a replacement that must be capitalised will be calculated as the fair value of the replaced asset and adjusted by the amount of cash or cash equivalents that was transferred or received.

- The profit or loss of the replaced asset will be calculated as the difference between the cost of the asset received as replacement and the book value of the replaced asset.

12.6 Capitalisation of Assets exchanged for similar assets.

When an asset is acquired by exchanging it for a similar asset that is used for a similar activity and that has a similar fair value the following accounting practise will be followed:

- The cost of the asset received as replacement asset will be carried at the same amount as the replaced asset.

- There will be no recognition of profit/loss of fixed assets for an exchange of similar assets.

12.7 Subsequent Measurement for Fixed Property

After initial recognition PPE, investment property will be carried at cost or initial valued price less accumulated depreciation and impairment losses in the Financial Statements for its useful life, provided that the carrying amount exceeds the recoverable amount of the asset

After initial recognition Heritage assets will be carried at cost or initial valued price less impairment losses in the Financial Statements for its useful life, provided that the carrying amount exceeds the recoverable amount of the asset

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Land, buildings and other fixed property will be carried at cost or initial valued price less accumulated depreciation and impairment losses in the Financial Statements for its useful life, provided that the carrying amount exceeds the recoverable amount of the asset

Management is permitted to change an accounting policy for certain categories only if the change:

- is required by a standard or interpretation;
- or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

In such an instance Land, buildings and other fixed property will be re-valued on a four (4) yearly basis when all other properties are re-valued.
These fixed properties will be carried at the value of validation (fair value) less the accumulated depreciation on these properties.

This revaluation will be done to ensure that the carrying value of the fixed properties in the Balance Sheet does not differ materially from the fair value of these fixed properties. The basis of the revaluation will be based on the replacement value for these fixed properties that will be obtained from the evaluation list as supplied by the evaluator appointed by the Kouga Municipality on a four yearly basis.

7.4.1. Appreciation of Fixed Properties

The following accounting procedures will be followed when the fixed properties are re-valued at an amount that exceeds the current value carried in the Financial Statements.

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.

- The carrying value on the Balance Sheet will be adjusted to the re-valued amount of the fixed property.

- The difference between the original amount and the re-valued amount will be credited against a future depreciation reserve.

All future depreciation on the fixed property will be set off against this future depreciation reserve.

7.4.2. Downwards Revaluation of Fixed Property

The following accounting procedures will be followed when fixed properties are re-valued at an amount lower than the current carrying value of these fixed properties.

- The Accumulated Depreciation at the time of revaluation will be set-off against the gross carrying amount of the fixed property.

- The difference between the carrying value and the revaluation value will be recognised as an expense in the Income Statement unless the difference can be offset against a credit from a revaluation of another fixed property asset that was re-valued at a higher amount as explained above.

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7.5 Revaluation of Assets other than Fixed Property

Assets other than fixed property will be carried at cost or initial valued price less accumulated depreciation in the Financial Statements for its useful life, provided that the carrying amount exceeds the recoverable amount of the asset.

7.6. Asset Revaluation Reserve

Any surplus arising on the revaluation of assets is credited to the asset revaluation reserve, which is regarded as non-distributable. On disposal of the asset the applicable portion of the surplus is transferred to the retained surplus account

13. Inventory Assets

13.1 Assets with a value of less than R2 500-00 will be classified as Inventory Assets and will be written off in the Income Statement when it is purchased.

13.2. An Inventory List will be maintained by the Asset Control Officer for all Inventory Assets. These Inventory Assets will be numbered by barcode for easy reconciliation and verification where possible and cost effective.

13.3. Where it is not possible or cost effective it will be numbered with a permanent marker to ensure that it is accounted for with the yearly asset verification.

13.4 Inventory Assets will be budgeted for under the General Expenditure section of the operational budget and will therefore have an effect on the surplus or deficit of Kouga Municipality.

14. Policy for the disposal of redundant, obsolete or unserviceable furniture and equipment

Assets that become redundant, obsolete or unserviceable must be treated in the following way to ensure that all financial regulation are met with effective procedures for the proper treatment of these assets.

All assets in a department are the responsibility of the Manager of that department, and are only controlled by the Finance Department for accounting and insurance purposes.

14.1 Notification / Recommendation to scrap an asset

The Departmental head is responsible and accountable for the asset in his/her department.

The Senior Managers is also responsible to communicate any asset that must be scrapped through to the Asset management department for approval.

The Senior Managers that requests to scrap an asset must submit a approved “Request to scrap an Asset Form” see annexure A that can be obtained from the Asset department

The following approved information is essential to identify the asset that will be scrapped and must be submitted to the Finance Department as a request to scrap the asset(s).

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- The asset number
- The description of the asset
- The physical location
- The cost centre under which the asset was utilised
- The Department
- The reason for scrapping the asset(s).

14.2 Financial Control and approval of scrapping of assets

The Asset Manager will evaluate the proposed write offs and reasons for write off and refer the approved recommendations to the Senior Accountant PPE.

The Senior Accountant PPE will investigate the reason for damage where necessary.

The Senior Accountant PPE will include the following information for recommendation of write off to the Asset Manager who in turn will refer it to CFO for final approval.

- The asset number
- The description of the asset
- The physical location
- The cost centre under which the asset was utilised
- The Department
- The reason for scrapping the asset(s).
- The purchase price and the date of purchase of the asset
- The book value of the asset.
- The recommended selling price of the asset.

The Asset Manager will consider all aspects of the asset(s) that must be written off and disposed of.

He/She will then submit the following information to the CFO.

- The asset number
- The asset description
- The purchase date of the asset
- The book value of the asset

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- The reason of the scrapping.

The CFO will recommend the disposal or scrapping of the asset(s) to Municipal Manager.

This recommendation of disposal and or scrapping of assets will be submitted to the Management Committee as well as to the Kouga Municipality Council for write off approval.

14.3 Scrapping of Inventory Assets

Inventory Assets (assets with a purchase price of less than R2500-00) will be controlled on an inventory list, and the Departmental Head will be responsible for these inventory assets.
It is therefore essential that Inventory Assets be scrapped in the same way as capitalised assets, with the necessary documentation for approval.

14.4 Disposal of Assets

Assets are replaced as soon as the asset has no economic value / service potential to the municipality. Senior managers should annually identify possible replacement needs and inform the CFO by no later than 31 January of the estimated costs to be placed on the capital budget for approval.
Where assets are damaged to such extent that it can no longer be used and is needed in the daily operations of the municipality, the senior manager to which this asset relates will submit a report to council to request for an adjustment budget and approval to replace the said asset.

Assets that are disposed of can be sold in one of the following ways, after the reserve price was established for each asset sold:

- By way of Public Auction which notice has been advertised for at least seven days.
- Through the invitation of tenders with a lead time of at least two weeks.
- Sold to the public at a price fixed by law or by resolution of the Municipality.

In the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment

The Kouga Municipality can at any time refuse the disposal of an asset if the reserve price is not met, or it is apparent that it will not benefit the Municipality to sell the asset.

14.4.1 Disposal of Fixed Property

The Municipality may only sell fixed property as regulated by the Municipal Finance Management Act (section 90).

This includes the following:

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- Fixed Property may not be sold if the fixed property is needed to provide the basic level of municipal services.

- Is sold at a fair market value, and not below the value determined by Council.

14.4.2 Disposal of other capitalised- and inventory assets

Assets and Inventory Assets may be sold as prescribed above when the asset is damaged beyond repair, not needed to provide services or any other reason that was approved by Council.

All assets sold or disposed of must be written off by an approved resolution by Council.

14.4.3 Losses arising from the scrapping or disposal of assets

All losses arising from the scrapping or disposal of assets will be recognised as an expense in the Income Statement and will be calculated as follows:

- The loss on the scrapping or disposal of the asset will be calculated as the difference between the selling price of the sold asset and the carrying value of the asset.

- The accounting treatment will be as follows:

  - The asset will be written down to the lower of its carrying amount or its realisable value.

  - The amount of the write down will be recognised as an expense in the Income Statement.

14.4.4 Surplus arising from the scrapping or disposal of assets

All surpluses arising from the sale of an asset will be transferred to the Asset Financing FundCapital replacement reserve as an appropriation to make provision for future capital expenditure that may be needed.

The calculation of the surplus on the sale of assets will be determined as follows:

- The surplus will be the difference between the selling price of the asset and the carrying value of the asset.

- The accounting treatment will be as follows:

  - The asset will be written off in the balance sheet by crediting the accumulated depreciation and the balance to the asset.

  - The surplus will be credited to the Asset Financing FundCapital replacement reserve for future use.

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15. Insurance Of Capital Assets

15.1. The Chief Financial Officer shall ensure that all capital assets are insured as per the council's short-term insurance policy.
When doing so the insured value to be applied by the Chief Financial Officer are current replacement cost (CRC) with the exceptions of vehicle types. Vehicles, if required to be insured in terms of the insurance policy, should be insured for the AA book value of the specific vehicle.

16. Other Regulations and controls not provided for in this document.

Individual Asset management regulations and controls not covered in this document will be covered by prior regulations or Council Resolutions.

Any changes to this document relating to the omissions will be approved by Council before implementation. The Municipal Finance Management Act is to be honoured in all instances pertaining to Assets Management.

16.1 Fixed Asset Register and work procedures

16.1.1 All fixed assets with a value of more than R2 500-00 will be recorded on the Fixed Asset Register, and the asset will remain on the register until such time it is disposed of.

16.1.2 All the fixed assets will individually be bar coded when physically possible and cost effective.

16.1.3 All the fixed assets will be captured on the Asset Management System and will be balanced back to the Asset Control Votes on the Financial System.

16.1.4 Where it is not physically possible to mark an asset with a bar-coded strip, the asset will be marked and numbered by way of a permanent marking pen or paint.
These assets will be identified on the Asset Management system as bar-coded assets and will be marked off a list as recorded on the Asset Management system when the annual Asset Verification is done.

16.1.5 The Fixed Asset Register will be updated annually with the replacement values of all assets. (This will only be done for Insurance purposes and will have no effect on the amount carried in the Financial Statements for Assets.)

16.1.6 The following information will be recorded on the asset register

- Asset Number or deed number in respect of property
- Date of Purchase
- Cheque number or document number
- Description
- Category
- Cost Centre

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- Location
- Purchase or valued cost
- Depreciation Rate
- Depreciation for the current year
- Accumulated Depreciation
- Book Value of the asset
- Source of finance
- Lifespan of the asset
- Replacement Value if applicable

16.1.7 All assets and inventory assets will be always kept in a safe place.

16.1.8 All assets will be clearly marked for identification purposes when the assets are received.

16.1.9 The asset will be captured on the asset register as well as on an asset inventory sheet that must be fitted behind the door of each office or at a place as specified by the asset control officer.

16.1.10 The Senior Managers or as delegated by him/her will sign the asset inventory list to take responsibility of the assets in his/her department

16.1.11 No asset may be moved from its original location without the written approval of the Asset control Officer.
The procedures required to move an asset will be as follows:

- The Senior Managers requesting the move of an asset must submit an approved Asset Move Request Form (available from the Asset Control Officer) to the Asset Control Officer before any asset is moved.
- The Asset Control Officer will ensure that the asset detail is updated on the system and asset register

16.1.12 The Asset Register will be updated on a monthly basis with disposals, scrapings and additions before the depreciation run is performed.

16.1.13 The Asset Control Officer will balance the asset register to the assets as stated on the general ledger on a monthly basis and follow up any discrepancies.

16.1.14 Discrepancies will be communicated to the Chief Financial Officer on a monthly basis.

16.1.15 The Asset Control Officer will report on all additions, scrapings, disposals and loss due to theft or other uncontrollable circumstances on a monthly basis.

16.1.16 No private assets except vehicles are allowed on the premises of the Kouga Municipality.
The CFO or his/her delegate must give written approval to an Official or any other person that requires bringing Private Assets onto the premises of the Kouga Municipality. (A Private Asset Request form is available from the Asset Manager)
This approval form must be in the possession of the Official or any other person at all times, and must be produced as and when it is required.

16.2 Fixed Asset Register (Base Units)

Fixed assets will be recorded as follows to ensure that all assets are treated uniformly.

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16.2.1 The central processing unit, (including the original software, motherboard and cards), keyboard and mouse of a personal computer;

16.2.2 The monitor of a personal computer;
16.2.3 A printer;

16.2.4 The monitor, keyboard and mouse (if applicable) of a computer terminal;

16.2.5 Each individual item of furniture;

16.2.6 Each individual item of office equipment.

16.2.7 Each component of an Infrastructure Structure Asset where possible. Example for a reservoir the reservoir, pumps and standby power separately.

16.2.8 Each stand and or building

17 10. Risk Management

17.1 All the risks, for losses arising from the damage, destruction or theft of the assets or any liabilities that can arise from the operations of KOUGA MUNICIPALITY, must be evaluated annually in conjunction with reputable risk management advisers to establish a level of risk that of acceptable to the management of KOUGA MUNICIPALITY.

17.2 Fixed assets will be insured at their replacement value, which will be revised annually.

17.3 The replacement value of motor vehicles is the average of the retail and trade value published in the Auto Dealers' Guide as at the end of the financial year.

17.4 The replacement value of all other fixed assets will be their actual market value.

18 Physical verification

18.1 All fixed assets will be identified with a unique bar coded fixed asset number and recorded on an asset inventory sheet. Management should ensure that all Kouga Municipality employees keep an updated copy of the asset inventory sheet.

18.2 Management should ensure that all fixed assets recorded on the Fixed Asset Register are physically verified at least once a year by means of an asset audit.

18.3 Any differences must be investigated and must be adjusted in the Fixed Asset Register, if agreed and authorised by the responsible Managers and Council. A written explanation of the differences must be supplied by the relevant Head of Department.

18.4 Managers have to ensure that proper documentation is maintained for all their physical verification procedures performed.

18.5 The Asset Control Officer will from time to time do spot checks to ensure that the assets in a specific location agree to the assets listed on the asset inventory sheet of the location. (Both capitalised and Inventory Assets will be checked.)

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18.6 The Senior Managers must be informed of damaged- or obsolete assets when it is identified by means of the asset verification process. The Senior Managers must follow the procedures as prescribed in point 14.2 to have the asset scrapped.

19 CAPITAL ASSET MANAGEMENT PLANS.

19.1. The asset department will assist senior managers of the different departments with with the maintenance of assets.
On an annual basis the asset department will provide the managers with a list of assets within their departments indicating the condition and the remaining useful life as well as those assets that has reached the end of their useful lives.

Based on this information supplied by asset department Senior Managers needs to develop a capital asset management plan for immoveable capital assets that meets the definition of the undermentioned capital asset categories:
a) Infrastructure Assets;
b) Community Assets;
c) Investment Property; and
d) Any other Immoveable assets.

19.2. The capital asset management plan must at least cover the following aspects:

- Purpose of the plan
  Demonstrate the roles and responsibilities of management; Communicate and justify funding requirements and Legislative framework.

- Asset Description
  Summary of all the capital assets cover by the plan.

- Levels of Service
  Summarise the levels of service and performance measures and how they are set for each level.

- Future Demand
  Factors influencing future demand and impact of changing demand on capital assets.

- Lifecycle Management plan
  Summary of all the management strategies (operations, maintenance, disposal, etc.)

- Financial Summary
  Long-term income and expenditure (cash flow projections) for each significant group of capital assets and sources of funding.

- Asset Management Practices
  Summary of AM data, Information systems, processes (decision making) and implementation tactics.

- Monitoring and Improvement Programs
  This section must deal with the physical condition assessments; measurement of functional effectiveness and effective utilisation. It also must

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also address the economical financial viability by monitoring operational expenses and include the timetable for review of the asset management plans.

19.3. The operational and capital budgets are the short to medium term financial plan for implementing the capital asset management plans.

19.4. Each Senior Manager shall report to the Accounting Officer on issues that will significantly impede the capital assets capacity to provide the required level of service or economic benefit.

Condition assessment table

Rating	Description	Detail description	Indicative of RUL
1	Very good	Sound structure well maintained.	71-100% EUL
		Only normal maintenance required.	
2	Good	Services needs but minor deterioration (< 5%).	46-70% EUL
		Minor maintenance required.	
3	Fair	Marginal, clear deterioration (10-20%).	26-45% EUL
		Significant maintenance required.	
4	Poor	Significant deterioration of structure and/or appearance	11-25% EUL
		Significant impairment of functionality (20-40%)	
5	Very poor	Significant renewal/upgrade required.	0-10% EUL
		Unsound, failed needs ,reconstruction/replacement	
		(> 50% needs replacement)	
Rating Description			
EUL' is Expected Useful Life			
'RUL' is Remaining Useful Life			

20. OTHER MATTERS ARISING FROM ASSETS

20.1 Assets held under Finance Leases

Assets held under finance leases will be accounted for as follows:

- The leased asset will be capitalised in the General Ledger of the Lessee at the amount stated in the lease agreement, and

- The asset will be depreciated over the expected useful life of the asset, unless

- There is no certainty that the lessee will obtain ownership of the asset by the end of the lease term, whereby the depreciation period will be calculated over the shorter of the lease term or the expected useful life of the asset.
  Officials must however ensure that the Kouga Municipality obtain ownership for all assets that are purchased under a finance lease.

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20.2 Other Leases

All other leases will be accounted for as expenditure in the Income Statement of the Municipality and will be budgeted for accordingly.

20.3 Assets in Halls

Due to the difficulty of marking movable assets in the halls with barcodes, the following procedures must be put in place to ensure the safekeeping and control over these assets.

- Stackable chairs, tables and other movable assets must be counted before and after every event that takes place in the hall to ensure that all assets are accounted for after the event.
- When assets are moved from the halls an official from the Kouga Municipality must sign the assets removed from the halls out and ensure that all assets are accounted for by signing it in when the assets are returned.
- All discrepancies must be reported to the Senior Accountant PPE as a matter of urgency.
- The Senior Accountant PPE will claim the replacement value of any discrepancies from the responsible person who rented the hall or used the assets outside the hall, via an invoice.

END OF ASSET MANAGEMENT POLICY DOCUMENT

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APPENDIX: 1

ASSET CONTROL SHEET

REQUEST FOR THE SCRAPPING OF AN ASSET

SECTION 1 – CONTACT DETAILS	
Date:	
Office Number:	
Building:	
Department	
Cost Centre	
Full Name & Surname	
Telephone Number	

SECTION 2 – ASSET DETAIL	
Asset Number	
Asset Bar-code Number	
Description Of Asset	
Room Number	
Room Bar-code Number	
Serial Number	
Model Number	

SECTION 3 – REASON FOR SCRAPPING
Please Supply a reason for the scrapping of this asset

SECTION 3 – APPROVAL	
Direct Supervisor:	
Full Name and Surname	
Signature	
Date	

Head of Department:	
Full Name and Surname	
Signature	
Date	

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KOUGA MUNICIPALITY					
TRANSFER OF MOVEABLE ASSET ITEM **(S0001)**					
CURRENT LOCATION					
LOCATION BARCODE				ITEM BARCODE	
ITEM DESCRIPTION					

REASON FOR TRANSFER

TO BE TRANSFERRED TO		LOCATION BARCODE
NEW LOCATION INFORMATION		
OTHER RELEVANT INFORMATION		
NAME:	SIGNATURE	

AUTHORISED BY MANAGER

NAME:	SIGNATURE

RECEIVED BY NEW USER

NAME:	SIGNATURE

ACKNOWLEDGED BY NEW MANAGER

ASSETS SECTION	FOR FI
MOVE PROCESSED ON FINANCIAL SYSTEM	
ITEM LOCATION BARCODE VERIFIED	
ITEM VERIFIED AT NEW LOCATION	
	DATE

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KOUGA MUNICIPALITY



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VIREMENT POLICY

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1. Definitions

"Accounting officer" The municipal manager of a municipality is the accounting officer of the municipality in terms of section 60 of the MFMA

"Approved budget" means an annual budget approved by a municipal council

"Budget-related policy" means a policy of a municipality affecting or affected by the annual budget of the municipality

"Chief financial officer" means a person designated in terms of the MFMA 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

"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

"Council" means the council of a municipality referred to in section 18 of the Municipal Structures Act

"Financial year" means a 12- month year ending on 30 June

"Line item" an appropriation that is itemized on a separate line in a budget adopted with the idea of greater control over expenditures

"Operating budget" the town's financial plan, which outlines proposed expenditures for the coming financial year and estimates that revenues used to finance them

"Ring fenced" an exclusive combination of line items grouped for specific purposes for instance salaries and wages

"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

"Virement" is the process of transferring an approved budget allocation from one operating line item 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

"Vote" means of the main segments into which a budget of a municipality i 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 purpose of the department or functional area concerned.

2. Abbreviations

CFO- Chief Financial Officer
IDP- Integrated Development Plan

MFMA- Municipal Finance Management Act
SDBIP- Service Delivery and budget implementation plan
CM- Council Minute/'s

3. Objective

To allow flexibility in the use of budgeted funds to enable management to act on occasions such as disasters, unforeseen expenditure or savings, etc. as they arise to accelerate service delivery in a financially responsible manner.

4. Virement Clarification

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

5. Financial Responsibilities

Strict budgetary control must be maintained throughout the financial year in order that potential overspends and / or income under-recovery within individual vote departments is identified at the earliest possible opportunity. (Section 69 MFMA)

The Accounting Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. The budget virement process is one of these controls. (Section 27(4) MFMA)

It is the responsibility of each manager or head of a department or activity to which funds are allotted, to plan and conduct assigned operations so as not to expend more funds than budgeted. In addition, they have the responsibility to identify and report any irregular or fruitless and wasteful expenditure in terms of the MFMA sections 78.

6. Virement Restrictions

a. No funds may be vired between Directorates.

b. Accumulated virements may not exceed a maximum 10% of the total approved operating expenditure of that Directorate budget.

c. A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years. (Section 19 and 21 MFMA)

d. No Virements may be made to a budget that is included in the approved SDBIP. These budget allocations can only be adjusted through an adjustment budget approved by Council. (MFMA Circular 13-page 13 paragraph 3)

e. No virement may commit the Municipality to increase recurrent expenditure, which commits the Council's recourses in the following financial year.

f. No virement may be made where it would result in over expenditure. (Section 32 MFMA)

g. No virement shall add to the establishment of the Municipality or increase personnel expenditure.

h. Virements may not be made in respect to ring-fenced allocations, e.g., Environmental Management Fee budget.

i. No virements are permitted between Trading Services e.g., Water, Sewerage, Electricity and Refuse.

j. No virements are permitted between operating budget line items that are funded by different sources of funding.

k. Budget may not be transferred from Interdepartmental cost, Capital Financing, Depreciation, Impairment, Interest charges, Contributions, Conditional Grants (except where specific in the relevant conditional grant framework), Bulk Purchases, Insurance, VAT or Income Forgone.

l. Funds may only be transferred between personnel expenditure budgets within the same vote if approved by the CFO.

m. In terms of Section 17 of the MFMA, a municipality's budget is divided into an operational and capital budget and consequently no virements are permitted between the operational and capital budgets.

n. Virements are not permitted for capital budget allocations. The capital budget can only be adjusted through an Adjustment budget approved by Council.

o. No virements are permitted in the last month of the financial year.

p. No virement proposal shall affect amounts to be paid to another Department without the agreement of the Manager of that Department, as recorded on the signed virement form. (Section 15 MFMA)

q. Virement amounts may not be rolled over to subsequent years, or create expectations on following budgets. (Section 30 MFMA)

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

s. Virements may not be made between Expenditure and Income.

t. Virements exceeding R5m will require the approval of Council with a full motivation.

7. **Virement Procedure**

a. All virement proposals must be completed on the Transfer of Funds Form (attached as Annexure A) and forwarded to the relevant Finance Officer for checking and implementation.

b. All virements must be signed by the Vote holder (per department) and the Manager within which the vote is allocated. (Section 79 MFMA)

c. Virements less than R 10,000 require the approval of the Manager in Budget and Treasury office.

d. Virements in excess of R 10,000 require the approval of the CFO and the Municipal Manager. (Section 79 MFMA)

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

f. All virement forms must be allocated a sequential number by the Budget and Treasury office.

g. The Municipal Manager will report to the Finance Portfolio Committee on a quarterly basis on all virements approved during that quarter on the Virement Reports Template (attached as Annexure B).