

FETAKGOMO /TUBATSE MUNICIPALITY LIM 476



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**GREATER TUBATSE
MUNICIPALITY**

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BUDGET RELATED INFORMATION

SIGNED BY

FETAKGOMO TUBATSE LOCAL MUNICIPALITY SPEAKER

29/08/2016

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BUDGET RELATED POLICIES



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BORROWING

POLICY



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1. DEFINITIONS

"Act" Means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

"Disclosure statements" means a statement issued or to be issued by:

- a municipality which intends to incur debt by issuing municipal debt instructions; and
- A person who intends to incur debt by issuing securities backed by municipal debts.

"Financing agreement" means any loan agreement, lease, instalment, purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time.

"Lender" means a person who provides debt finance to the municipality.

"Long term debt" means debt repayable by the municipality over a period exceeding one (1) year.

"Municipal debt" means:

- a) A monetary liability or obligation on a municipality by:
 - A financing agreement, note, debenture, bond or overdraft; and
 - The assurance of municipal debt instruments.
- b) A contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

"Security" means any mechanism intended to secure the interest of a lender or investor and includes any of the mechanisms mentioned.

"Short term debt" means debt that is repayable over a period not exceeding one (1) year.

2. INTRODUCTION

Considering the large demand for municipality infrastructure, borrowing is an important element to obtain additional funding sources to fund the municipal capital programme over the medium term.

The purpose of the policy is to govern the taking up of short-term debt according to the legislative framework.

3. OBJECTIVES OF POLICY

The objectives of the policy are to:

- 3.1 Enable the municipality to exercise their obligation to ensure sufficient cash resources to implement their capital programme in the most cost effective manner.

- 3.2 Ensure compliance with the relevant legal and statutory requirements relating to municipal borrowing.
- 3.3 Manage interest rate and credit risk exposure.
- 3.4 Maintain debt with specified limits and ensure adequate provision for the repayment of debt.
- 3.5 To maintain financial sustainability.

4. LEGISLATIVE

The legislative framework governing borrowings are:

- 4.1 Local Government Municipal Finance Management Act, Act 56 of 2003; and
- 4.2 Local Government Municipal Regulations and Debt Disclosure, Regulation R492, published under Government Gazette 29966, 15 June 2007.

5. COMPULSORY DISCLOSURES WHEN INCURRING MUNICIPAL DEBT

- 5.1 When entering into discussions with prospective lender with a view to incur municipal debt, the municipality must indicate in writing to the prospective lender whether it intends to incur short-term or long-term debt.
- 5.2 In the case of short-term debt it must be disclosed whether the debt is to bridge:
 - a) Shortfalls within a financial year during which the debt is incurred, in expectation or specific and realistic anticipated revenue to be received within that financial year; or
 - b) Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocation or long-term debt commitments.
- 5.3 In the case of long-term debt, whether the purposes of the debt is for:
 - a) Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objectives of local government, subject to section 46(4) of the Act.
 - b) Refinancing of existing long-term debt, subject to section 46(5) of the Act.

6. PROCESS

The process as required by the Act is as follows:

Short-term debt

- 6.1 A municipality may incur short-term debt only if:
 - a) A resolution of the municipal council , signed by the executive mayor , has approved the debt agreement; and
 - b) The accounting officer has signed the agreement or other document which creates or acknowledges the debt.
- 6.2 A short term debt transaction may be:
 - a) Approve individually; or
 - b) Approve an agreement with a lender for short-term credit facility to be accessed as and when required , including a line of credit or bank overdraft facility, provided that:
 - I. The credit limit must be specified in the resolution of the council.
 - II. In terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and

- III. If the council approves a credit facility that is limited to emergency use, the accounting officer must notify the council in writing as soon as practical of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as options for repaying such debt.

6.3 A municipality:

- (a) Must pay off short-term debt within the financial year; and
- (b) May not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

6.4 No lender may wilfully extend credit to a municipality in contravention of renewing or refinancing short-term debt that must be paid off in terms of subsection 6.3(a)

6.5 If a lender wilfully extends credit to a municipality in contravention of paragraph 6.4, the municipality is not bound to repay the loan or interest on the loan.

6.6 Subsection 6.5 does not apply if the lender:

- a) Relied in good faith on written representations of the municipality as to the purpose of the borrowing; and
- b) Did not know and had no reason to believe that the borrowing was for the purpose of renewing or refinancing short-term debt.

Long-term debt

6.7 A municipality may incur long-term debt only if:

- a) A resolution of the municipal council, signed by executive mayor; has approved the debt agreement, and
- b) The accounting officer has signed the agreement or other document which creates or acknowledges the debt.

6.8 A municipal may incur long-term debt only if the accounting officer of the municipality:

- a) Has, in accordance with section 21A of the Municipal System Act:
 - i. At least twenty one (21) days prior to the meeting 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. Invite 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 of the municipality council at least twenty one (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.

6.9 Capital expenditure contemplated in 5.3(a) may include:

- a) Financing costs, including :

- I. Capitalised interest for a reasonable initial period.
 - II. Costs associated with security arrangements in accordance with section 48 of the Act;
 - III. Discount and fees in connection with the financing;
 - IV. Fees for legal, financial, advisory, trustee, credit rating and other services directly connected to the financing; and
 - V. Costs connected to the sale or placement of debt, and costs for printing and publication directly connected to the financing.
- b) Cost of professional service directly related to the capital expenditure; and
 - c) Such other cost may be prescribed.
- 6.10 A municipality may borrow money for the purpose of refinancing existing long-term debt, provided that:

- a) The existing long-term debt was lawfully incurred;
- b) The refinancing does not extend the term of the debt beyond the useful life of the property, plant or equipment for which the money was originally borrowed;
- c) The net present value of projected future payments (including principal and interest payments) after refinancing is less than the net present value of projected future payments before refinancing;
- d) The discount rate used in projecting net present value referred to in paragraph ©, and any assumptions in connection with the calculations, must be reasonable and in accordance with criteria set out in a framework that may be prescribed.

6.11 A municipality's long-term debt must be consistent with its capital budget referred to in section 17(2) of the Act.

7. CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT

7.1 a municipality may incur debt only if:

- a) the debt is denominated in rand and is not indexed to, or affected by fluctuations in the value of rand against any foreign currency; and
- b) Section 48(3) of the Act has been complied with, if security is to be provided by the municipality.

8. SECURITIES

8.1 A municipality may by resolution of its council provide security for:

- a) Any of its obligation; and
- b) Contractual obligation of the municipality undertaken in connection with capital expenditure by the person of the property, plant or equipment to be used by the municipality or such other person for the purpose of achieving the objectives of local government in terms of section 152 of the constitution.

8.2 Appropriate security is contemplated in section 48(2) of the Act.

8.3 Other additional conditions to be complied with the contemplated in section 48(3) to (5) of the Act.

9. DISCLOSURE

9.1 Any person involved in the borrowing of money by a municipality must, when interacting with a prospective lender or when preparing documentation by a prospective investor

- a) Disclose all information in that person 's possession or which that person's knowledge that may be material to the decision of that prospective lender or investor; and
 - b) Take reasonable care to ensure the accuracy of any information disclosed.
- 9.2 A lender or investor may rely on written representations of the municipality signed by the accounting officer, if the lender or investor did not know and had no reason to believe that those representations were false or misleading.

10. GUARANTEES

- 10.1 A municipality may not issue any guarantee for any commitment or debt of any organ of state or person, except on the following condition:
- a) The guarantee must be within limits specified in the municipality's approved budget.
- 10.2 Neither the national nor provincial government may guarantee the debt of a municipality except to the extent that chapter 8 of the public finance Management Act provides for such guarantees

11. SUBMISSION OF DOCUMENTS

- 11.1 When entering into discussion with a prospective lender with a view to incur short-term debt, the following information must be made available to the prospective lender.
- a) Audited financial statements for the preceding three (3) financial years with audited outcomes;
 - b) Approved annual budget;
 - c) The municipal integrated development plan;
 - d) Repayment schedules pertaining to existing short-term or long-term debt.

12. NOTIFICATION TO NATIONAL TREASURY

12.1 The following information must be provided to National Treasury with respect to a long-term debt proposal:

<u>Details</u>	<u>MFMA</u>
a) A copy of the information statement required by section 46(3), containing particulars of the proposed borrowing (Debt) instrument: <ul style="list-style-type: none"> ▪ The name of the municipality; ▪ Where the municipality is located; ▪ Particulars of the proposed debts; 	46(3)(a)(i)
<p style="text-align: center;"><u>Details</u></p> <ul style="list-style-type: none"> ▪ Amount of proposed debt; ▪ Purposes for which the debt is to be incurred; and ▪ Particulars of any security to be provided. 	
b) If not already incorporated in the information statement, the following information is provided separately:	46(3)(b)(i), (ii)

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- Amount of debt to be raised through borrowing or other means;
- Issue date;
- Purposes for which the borrowing (debt) is to be incurred;
- Interest rate(s) applicable (state whether fixed or variable etc);
- Planned start and end date (term of instrument);
- Detailed repayment schedule for the duration of the borrowing (debt) (showing dates and all payments of principal and interest etc.);
- Final maturity date;
- Total estimated cost of the borrowing (debt) over the repayment period;
- Type of instrument;
- Debt amortisation terms;
- Security to be provided and provide details; and
- Source of loan funds.

- | | |
|---|----------------------|
| | <u>MFMA</u> |
| c) A Schedule of consultation undertaken, including: | 46(3)(a)(i),ii |
| ▪ Date(s) when the information statement was made public; and | |
| ▪ Details of meetings, media adverts and other long-term borrowing (debts); | |
| d) A copy of the approved budget and relevant documentation supporting the budget, highlighting the assets(s) to be funded by the proposed borrowing (debt) and the revenue to be received. | 46(6)
17(2)
19 |
| It must be demonstrated that the proposed borrowing (debt) is consistent with the IDP, the capital budget and the revenue is shown accordingly. | |

- | | |
|---|--------------------|
| | <u>MFMA</u> |
| e) <u>Details</u> If the borrowing (debt) is for the purpose of refinancing existing long-term borrowing (debt), the following information must be provided: | 46(5) |
| ▪ Description of the asset(s) for which the original loan was required; | |
| ▪ The useful remaining life of the assets(s) | |
| ▪ The net present value of the assets(s), including the discount rate used and any assumptions in the calculations; | |
| ▪ The net present value of projected future payment <u>before</u> refinancing, including the discount rate and assumptions used; and | |
| ▪ The net present value of projected future payment <u>after</u> refinancing, including the discount rate and | |

assumptions used.

- f) A copy of the council/board of directors' resolution approving the borrowing (debt) instruments should be forwarded to National and relevant provincial Treasury once approved.

13) FINANCIAL AFFAIRS OF THE MUNICIPALITY

13.1 The following information concerning the financial situation and financial management of the municipality must be disclosed:

- a) Schedule of all long-term obligations stating principal and interest payments for the life of all loans and any security provided to secure such debts;
- b) The amount of any short-term debt outstanding;
- c) The revenue of the municipality for the preceding three (3) financial years stated separately:
 - i. Government grants and public donations;
 - ii. Revenue from rates and services charges; and
 - iii. Other revenue sources
- c) What source of funding will be used to repay the loan;
- d) Details of any default by the municipality on outstanding or repaid debt during the preceding three (3) years;
- e) The reserves of the municipality
- f) A summary of financial policies and practices; and
- g) The latest credit rating obtained.

14. INTEREST RATE RISK

14.1 As a general principle when interest rates are expected to decrease, it is advisable that a floating rate be negotiated in order to take advantage of the lower interest rate in future. If interest rates are expected to increase, it is advisable to obtain a fixed rate so that the benefits of the current low interest rate are maintained.

14.2 The interest risk must be limited in so far as possible. The policy directive is to negotiate fixed interest rates for all long-term borrowings. This will ensure stability of the repayments and reduce the risk for high rates and tariff increases as a result of interest rate hikes in the market.

14.3 Variable rates should be considered for short-term only.

15. LIMITATION

To ensure a financial viable municipality the following ratio are used to determine the municipal gearing ability to borrow:

- Long-term credit rating BBB;
- Interest cost to total expenditure to not exceed 8%;
- Long-term debt revenue (excluding grants) not be exceed 50%;
- Payment rate mature above 95%; and
- Percentage of capital charges to operating expenditure less than 18%.

16. REVIEW

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulation.

**CASH MANAGEMENT
AND
INVESTMENT POLICY**



**FETAKGOMO/ TUBATSE
LOCAL MUNICIPALITY
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1. INTRODUCTION

1.1. As custodians of public funds, the Council has an obligation to see to it that cash resources are managed as effectively as possible. Council has a responsibility to invest public funds with great care and are liable to the community in that regard.

1.2. The investment policy should be aimed at gaining the highest possible return without undue risk during those periods when funds are not needed. To bring this about, it is essential to have an effective cash flow management program.

1.3 This policy has been compiled in accordance with:-

1.3.1. Local Government: Municipal Systems Act (MSA), Act no 32 of 2000 as amended;

1.3.2. Local Government: Municipal Finance Management Act (MFMA), Act no 56 of 2003;

1.3.3. Municipal Investment Regulations for the MFMA published in Government Gazette 27431 dated 1 April 2005; and

1.3.4. MFMA Circular no 49 on Non-payment of Obligations dated 30 June 2009.

1.4 Where this policy is contrary to other legislation, such legislation will override this policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts immediately to the attention of the Council once he/ she becomes aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

2. DELEGATION OF POWERS

2.1 This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials as well as between the Council and the Executive Mayor and the Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

2.2 In terms of section 60 (2) of the MSA, the Council may only delegate to the Municipal Manager the power to make decisions on investments on behalf of the municipality within the municipality's investment policy contemplated in section 13 (2) of the MFMA, 2003.

2.3 According to the MFMA, the Municipal Manager is the accounting officer of the Municipality and therefore all designated officials are accountable to him/ her. The Municipal Manager is therefore accountable for all transactions entered into by his/her designates.

2.4 The overall responsibility of investments lies with the Municipal Manager. However, the day to day handling of investments should be the responsibility of the Chief Financial Officer or his/her delegate.

2.5 All investment documents will require two signatories, namely the Municipal Manager and the Chief Financial Officer or their delegated signatories. In this regard, specimen signatures must be signed with all financial institutions with which the Municipality deals.

3. PURPOSE OF THE POLICY

3.1 The purpose of this policy is to ensure that investment of surplus funds forms part of the financial management procedures of the FETAKGOMO/TUBATSE LOCAL Municipality and to ensure that prudent investment procedures are applied consistently.

4. EFFECTIVE CASH MANAGEMENT

4.1 Cash Management Plan

4.1.1 Adequate and efficient cash management is one of the main functions of the Chief Financial Officer. It is therefore imperative that a cash management plan be established and adhered to at all time. Sound cash management includes:-

4.1.1.1 Collecting revenue when it is due and banking it promptly;

4.1.1.2 Making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient,

effective and economical programme delivery and the government's normal terms for account payments as well as within legislative requirements;

- 4.1.1.3 Avoiding pre-payments for goods or services (i.e. payments in advance of the receipt of goods or services), unless required in terms of contractual arrangements with the supplier;
- 4.1.1.4 Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates prepared by the Municipality;
- 4.1.1.5 Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the Municipality are collected and banked promptly;
- 4.1.1.6 Taking any action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery and selling surplus or underutilized assets.
- 4.1.1.7 Accurately forecasting the Municipality's cash flow requirements; and
- 4.1.1.8 Timing the inflow and outflow of cash to ensure that significant cash outflows only occur when there is sufficient cash in the Municipality's bank account.

4.2 Efficient Cash Collection Procedures

4.2.1 All monies due to the Municipality must be collected as soon as possible and banked on a daily basis. Cash left in the safe can pose a security risk, could necessitate additional insurance coverage and does not earn any interest. Special deposits should be arranged for the larger amounts received, to make sure that these are banked on the same day they are received.

4.2.2 It is essential that all amounts owed to the Municipality be levied by way of a debit in the applicable debtors system. A well-managed debtor and banking control system is the proper measure for ensuring that monies owed to the Municipality are timeously received and banked.

4.2.3 It is also important to review the debt collection performance by regularly comparing monies presently owed to the Municipality in relation to the total income as well as to the situation in previous financial years, in order to determine whether the debt collection is deteriorating or improving.

4.3 Payment to Creditors

4.3.1 Another aspect of effective cash management is adequate control over the timing and payment of creditors accounts. To reduce bank costs with regard to cheque payments it is essential to limit the payment of creditors to one payment per creditor per month, if possible and to make use of electronic transfer subject to strict control measures.

4.3.2 When considering the time to pay a creditor, proper consideration must be given to the conditions of credit/ terms of payment offered. In cases where a cash discount is offered for early settlement the discount, if the relevant time scale is taken into account, will in most cases be more than any investment return from temporarily investing the funds and if offered, they should be properly considered and utilised.

4.3.3 The normal conditions of credit/ terms of payment offered by suppliers should also be considered and utilised to the full by paying on due date and not earlier. 4.3.4 Due consideration should be given to Sections 65 (2) (e) and (f) of the MFMA which regulates payment periods and compliance by the municipality with all its statutory commitments.

4.3.5 To ensure the prompt payment of all creditors the municipality should adopt the step-by-step approach for payment of creditors outlined in MFMA Circular no 49 as part of its financial management procedure manuals.

4.3.6 In the case of SMME's, payment may be effected at the conclusion of the month or within seven days of the date of receipt of the invoice for services rendered, whichever is the later. The CFO shall approve any such early payment before any payment is effected.

4.3.7 The CFO shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

4.3.8 Special payments to creditors shall only be made with the express approval of the CFO, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

4.4 Management of Investment in inventories

4.4.1 Cash management can be improved by ensuring that adequate stock control is exercised over all goods in store. The inventory levels in any stores system have to be reviewed continually in the light of annual contracts from local suppliers. Only essential inventory levels are to be maintained in the case of inventory items that are readily available

4.4.2 Inventory items held in stock for a long period of time is an unproductive asset to which an opportunity cost can be attached. In addition, inventory items held in stock for long periods of time could become redundant or obsolete. It is advisable, therefore, to dispose of outdated inventory items on a regular basis, thus recovering at least a part of their costs.

4.5 Investment of Surplus Cash

4.5.1 Before any money can be invested, the Chief Financial Officer, or his/her delegate, has to determine whether there will be surplus funds available. The term of investment should also be investigated in relation to projected cash outflows. Prior to making investments for any fixed term, it is essential that cash flow estimates be compiled for at least the next twelve months.

4.5.2 When compiling monthly cash flow estimates it is essential that the Chief Financial Officer is aware of all expected cash flow and when it is to take place, as well as the timing with regard to cash outflows as far as both the operational and the capital budgets are concerned.

4.5.3 By utilising the available information and expertise, the Chief Financial Officer can assess the timing with regard to the applicable investment policy accordingly. Daily cash flow estimates will provide for daily call investments and investment withdrawals, whereas long-term investments need to be based on projections further into the future.

5. LEGAL REQUIREMENTS

5.1 The way in which surplus funds and other monies of local authorities can be invested, is regulated in terms of the Municipal Finance Management Act.

5.2 The Municipal Finance Management Act requires the Municipality to establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed by the Minister, with the concurrence of the Cabinet member responsible for Local Government.

5.3 A bank, insurance company or other financial institution which, at the end of a financial year holds, or at any time during a financial year held, an investment for the Municipality must:-

5.3.1 Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment, in that financial year; and

5.3.2 Promptly disclose information regarding the investment when so requested by the National Treasury or the Auditor-General.

5.4 A bank where the Municipality at the end of the financial year holds a bank account, or held a bank account at any time during a financial year, must: -

5.4.1 Within 30 days after the end of that financial year, notify the Auditor-General, in writing, of such bank account, including-

5.4.1.1 the type and number of the account; and

5.4.1.2 the opening and closing balances of that bank account in that financial year.

5.5 Promptly disclose information regarding the account when so requested by the National Treasury or the Auditor-General.

6. INVESTMENT ETHICS

6.1 The following ethics apply when dealing with financial institutions and interested parties:-

6.1.1 The Municipal Manager and in the final instance the Chief Financial Officer is responsible for the investment of funds, and have to steer clear from outside interference, regardless of whether such interference comes from individual Councillors, agents or any institution.

6.1.2 Under no circumstances may he/ she be held susceptible to coercive measures of any description. No member of staff may accept any gift other than something that is so small that it cannot possibly be seen as anything but a sign of goodwill, regardless of whether such gift influences him or her in his or her work or is intended to do so.

6.1.3 The Chief Financial Officer or his/her delegate must act according to their own discretion and should report any serious cases, i.e. offers of a personal commission or payment in kind, etc, to the Council. Discretion should be the order of the day, and excessive gifts and hospitality must be refused and avoided.

6.1.4 Interest rates offered should never be divulged to another institution.

7. INVESTMENT PRINCIPLES

7.1 Limited Exposure to a Single Institution

7.1.1 Money, especially large sums of money, must be invested with more than one institution in order to limit the risk exposure of the Municipality.

7.1.2 Subject to paragraph 8.6 below, not more than 50% of the available funds should be placed with a single institution. In this case, it should be noted that a group of financial institutions would be treated as individual institutions.

7.1.3 Where legislation allows, the Municipality must try to plan the distribution of its investments to cover more than one investment category.

7.2 Risk and Return

7.2.1 It should be accepted as general principle that the larger the return, the greater the risk will be. Investments may not be undertaken with a view to speculation and must be governed by the following investment objectives, in order of priority:-

- 7.2.1.1 Preservation and safety of principal;
- 7.2.1.2 Liquidity; and
- 7.2.1.3 Yield.

7.3 Borrowing Money for Reinvestment

7.3.1 The Municipality shall not borrow any money for investment purposes as this is considered as speculation with public funds. Furthermore, investments should not be made where Council is utilising an overdraft facility unless in accordance with applicable legislation.

7.4 Cash in the Bank

7.4.1 Where money is kept in current accounts, it is possible, as well as being an expedient practice, to bargain for more beneficial rates with regard to deposits, for instance call deposits. These rates can be increased by fixed term investments. The overriding principle is to limit the cash in the current account to the absolute minimum but always taking into account the cash management plan and monthly cash flow estimates.

7.5 Employees and Councillors Benefiting from Investments

7.5.1 No employee or Councillor of the Municipality or their family may under any circumstances whatsoever on his or her own behalf or on behalf of any other person whether directly or indirectly, stipulate, claim or receive any consideration of whatever nature in connection with an investment made.

7.6 Reporting Requirements

7.6.1 There shall at all times be transparency and accountability in respect of every investment made and of the Municipality's investment portfolio. In this regard, the Municipal Manager must within 10 days of the end of each month, as part of the section 71 report required by the MFMA, submit to the Executive Mayor a report describing in accordance

with generally recognised accounting practise the investment portfolio of the municipality as at the end of the month. The report must set out at least:-

- The market value of each investment as at the beginning of the reporting period;
- Additions and 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 or yield for the reporting period.

8. GENERAL INVESTMENT PRACTICE

8.1 General Principles

8.1.1 After determining whether cash is available for investment and fixing the maximum term of investment, the Chief Financial Officer has to consider the way in which the investment is to be made. Because rates can vary according to money market perceptions with regard to the term of investment, quotations for fixed deposits should be requested telephonically for a period within the limitations of the maximum term.

8.1.2 All telephonic quotations must be recorded on a schedule and the accepted quotation must be confirmed in writing before the actual investment is made. The same procedure must be followed before any re-investment is made with the same institution.

8.1.3 Where a fixed deposit is made at an institution at a lower rate than other quotations, reasons must be recorded by the Chief Financial Officer and reported to Council as part of the monthly financial report by the Chief Financial Officer.

8.2 Payment of Commission

8.2.1 The financial institution where a fixed deposit is made must issue a certificate with regard to each investment when the investment is made, in which it states that the financial institution has not or will not pay any commission and has not or will not grant any other benefit for obtaining such investment to any employee or Councillor of the Municipality or

their family or an agent or go-between, or to any person nominated by such agent or go-between, except where the Council has decided to appoint a go-between/ agent/ consultant and the fee/ commission has been decided and approved by the Council before any investment is made.

8.4 Registered Financial Institutions

In terms of the Municipal Investment Regulations for the MFMA the Municipality may only invest in the following instruments or investments:-

8.4.1 Securities issued by the National Government;

8.4.2 Listed corporate bonds with an investment grading rating from a nationally or internationally recognized credit rating agency;

8.4.3 Deposits with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);

8.4.4 Deposits with the Public Investment Corporation as contemplated by the Public Investment Commissioners Act, 1984 (Act No 45 of 1984);

8.4.5 Deposits with the Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No 46 of 1984);

8.4.6 Banker's acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);

8.4.7 Guaranteed endowment policies with the intention of establishing a sinking fund in order to meet the redemption fund requirements of the Municipality;

8.4.8 Repurchase agreements with banks registered in terms of the Banks Act, 1990 (Act No 94 of 1990);

8.4.9 Municipal bonds issued by the Municipality;

8.4.10 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; and

8.4.11 Any other instruments or investments in which the Municipality was under a law permitted to invest before the commencement of this policy, provided that such investments shall not extend beyond the date of maturity or redemption thereof.

8.4.12 An investment may only be made if the investment is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.

8.5 Growth Related Investments and Long-Term Investments

8.5.1 Only the Council can approve such investments or the disposal thereof. The institution with which the investment is made must guarantee at least the capital portion of long-term investments.

8.5.2 Any fees payable to a broker, agent, or consultant must be clearly stated on the application form and approved by Council before any investment is made.

9. CALL DEPOSITS AND FIXED DEPOSITS SHORTER THAN 12 MONTHS

9.1 Quotations must be solicited from a minimum of three financial institutions, bearing in mind the limits of the term for which it is intended to invest the funds. It is acceptable to ask for quotations telephonically, as rates can generally change regularly on a daily basis and time is a determining factor when investments are made.

9.2 Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions that were approached should also be asked to quote a rate for the same term.

9.3 The person responsible for requesting quotations from institutions should record the name of the institution, the name of the person who gave the telephonic quotation and the relevant terms and rates and other facts such as whether the interest is payable on a monthly basis or on a maturity date. Written confirmation of the telephonic quotation accepted is essential.

9.4 Once the required number of quotations has been obtained, a decision has to be taken regarding the best terms offered and the institution with which the funds are going to be invested. Subject to par 8.6 above, the best offer is normally accepted, with thorough consideration of investment principles. No attempts may be made to make institutions compete with each other as far as their rates and terms are concerned. If institutions have been asked for a quotation with regard to a specific package the institution has to be told to offer their best rate in their quotation and that, once the quotation has been given, no further bargaining or discussions would be entered into in that regard.

9.5 The abovementioned procedure should be followed regardless of whether the money is to be invested in a fixed deposit or on a call basis.

9.6 It is essential to make sure that the investment document received is an original document, issued by the approved institution. The investment capital should be paid over only to the institution with which it is to be invested, and not to an agent.

9.7 The Chief Financial Officer should seek professional advice whenever there is a degree of uncertainty regarding investment opportunities that he/ she evaluate.

9.8 The above procedures are not applicable to daily call deposits held with the Municipality's banker. However, the Chief Financial Officer should always ensure that the Municipality is receiving the best possible interest rates offered by the financial institution for this type of investment.

10. CONTROL OVER INVESTMENTS

10.1 Proper records should be kept of all investments made. At the very least the following facts should be indicated:-

- Institution.
- Principle investment.
- Interest rate.
- Maturity date.

Details of growth of the investment, calculated annually at 30 June, including interest capitalised.

10.2 The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds bearing in mind the cash flow requirements.

10.3 Interest, correctly calculated, should be received timeously, together with any distributable capital.

10.4 Investment documents and certificates should be kept in a fire-resistant safe to which access is controlled.

10.5 The Chief Financial Officer is responsible for ensuring that the invested funds are secure and should there be a measure of risk, such risk must be rated realistically.

10.6 The Executive Mayor should be informed of all investment withdrawals before date of maturity of R1 000 000 (One Million Rand) and above prior to withdrawal.

11. IMPLEMENTATION AND REVIEW OF THIS POLICY

12.1 This policy shall be implemented once approved by Council. All future investments must be made in accordance with this policy.

12.2 In terms of section 17 (1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

TARIFF POLICY



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The municipality shall develop, approve and at least annually review an indigency support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

In the case of directly measurable services, namely electricity and water, the consumption of such services shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume.

In addition, the municipality shall levy monthly availability charges for the services concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of water and electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

PART 3: CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the refuse removal service, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:

- Cost of maintaining the landfill site
- Collection Cost
- Depreciation expenses.

- Maintenance of fixed assets.
- Administration and service costs, including:
 - service charges levied by other departments such as finance, human resources and legal services;
 - reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - adequate contributions to the provisions for bad debts and obsolescence of stock;
 - all other ordinary operating expenses associated with the service concerned including, (note: the costs of the democratic process in the municipality - that is, all expenses associated with the political structures of the municipality - shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- The intended surplus to be generated for the financial year, such surplus to be applied: as an appropriation to capital reserves; and/or generally in relief of rates and general services.
- The cost of approved indigency relief measures.

The municipality shall consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget, but on the understanding that such relief shall not be less than a discount of 100% on the monthly amount billed for the service concerned.

PART 4: REFUSE REMOVAL

The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be effective from 1 July each year.

A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

*Domestic and other users (once weekly removal) Business and other users (twice weekly removal) Business and other users (thrice weekly removal) Business (Malls) and other (bulk consumers) every day

Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such

discount shall not be less than 100% of the monthly amount billed as a refuse removal charge.

A fixed monthly charge shall be charged to the local municipality's departments equal to the lowest (domestic) tariff.

PART 5: MINOR TARIFFS

All minor tariffs shall be standardised within the municipal region.

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

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

The following services shall be considered as **subsidised services**, and the tariffs levied shall cover or as near as possible to 100% of the annual operating expenses budgeted for the service concerned:

- burials and cemeteries

The following services shall be considered as **community services**, and no tariffs shall be levied for their use:

- municipal libraries

The following services shall be considered as **economic services**, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- maintenance of graves and garden
- housing rentals
- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- cleaning of stands

- photostat copies and fees
- clearance certificates.

The following charges and tariffs shall be considered as **regulatory or punitive**, and shall be determined as appropriate in each annual budget:

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques. .

Market-related rentals shall be levied for the lease of municipal properties.

In the case of rentals for the use of municipal halls and premises, if the municipal manager is satisfied that the halls or premises are required for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive 50% of the applicable rental.

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

PART 9: ANNEXURE: LEGAL REQUIREMENTS

SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

SECTION 74: TARIFF POLICY

The council of a municipality must adopt and implement a tariff policy on the levying of fees for the services provided by the municipality itself or by way of service delivery agreements.

Such policy must comply with the provisions of the present Act and any other applicable legislation.

Such tariff policy must reflect at least the following principles:

- that users of municipal services must be treated equitably in the application of the municipality's tariffs;
- that the amount individual users pay for services must generally be in

proportion to the use of such services;

- that poor households must have access to-at least basic services through tariffs which cover only operating and maintenance costs, special tariffs or lifeline tariffs for low levels of use, or consumption of services or for basic levels of services, or any other direct or indirect method of subsidisation of tariffs for poor households;
- that tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
- that tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
- that provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- that provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- that the economic, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
- that the extent of subsidisation of tariffs for poor households and other categories of users must be fully disclosed.

The tariff policy may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas.

If the policy entails such differentiation, the municipality must ensure that this does not amount to unfair discrimination.

SECTION 73: GENERAL DUTY

The municipality must give effect to the provisions of the Constitution, and in doing so give priority to the basic needs of the local community, promote the development of the local community, and ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The services provided by the municipality must be: equitable and accessible; provided in a manner conducive to the prudent, economic, efficient and effective use of available resources, and the improvement of standards of quality over time; financially sustainable; environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

SECTION 75: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

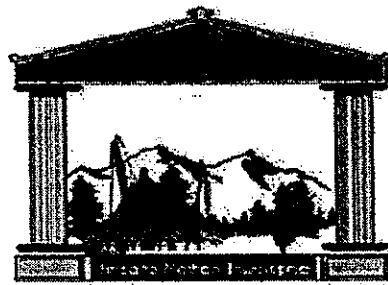
Such by-laws may differentiate in respect of services, service standards, service providers and other matters between different categories of users, debtors or geographical areas, but in a manner which does not amount to unfair discrimination.

FINAL PRINCIPLES AND POLICY ON CREDIT CONTROL AND DEBT COLLECTION



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GREATER TUBATSE LOCAL MUNICIPALITY

PRINCIPLES AND POLICY ON CREDIT CONTROL AND DEBT COLLECTION

1. PREAMBLE

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

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

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

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

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

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

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

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

2. DEFINITIONS

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

"Arrangement" means a written agreement entered into between the municipality and the debtor where specific repayment parameters are agreed to.

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

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

"Authorised Representative" means a person or instance legally appointed by the municipality to act or to fulfill a duty on its behalf.

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

"Business premises" means premises utilised for purposes other than residential and excludes the following: -

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

"Chief Financial Officer" means the person appointed as the Chief Financial Officer of the municipality, or his or her nominee.

"Credit Control" means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

"Council" means the Council of the Greater Tubatse Municipality.

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

"day/days" means calendar days, inclusive of Saturdays, Sundays and public holidays.

"Defaulter" means any person owing the municipality arrear monies in respect of taxes and/or service charges without an arrangement.

"Due date" in relation to –

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

"Immovable property" includes –

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

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

"Indigent debtor" means:

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

"Indigent Support Programme" means a structured program for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Council's Indigent Support Policy.

"Indigent Support Policy" means the Indigent Support Policy adopted by the Council of the municipality.

"Interest" Means a charge levied on all arrear monies for more than 30days with the same legal priority as service fees and calculated at a rate determined by Council from time to time;

"Manager Income" Means the official of the municipality responsible for the collection of monies owed to the municipality and/or any other official to whom he/she has delegated duties and responsibilities in terms of this policy.

"Month" means a calendar month.

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

"Municipality" means the Municipal Council of the Greater Tubatse Municipality or any duly authorised Committee, political office bearer or official.

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

"Municipal services" means services provided either by the municipality, or by an external agent on behalf of the municipality in terms of a service delivery agreement.

"Municipal Manager" means the Municipal Manager of the Greater Tubatse municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with the concurrence of the Council.

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

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

"Owner" in relation to immovable property means -

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

- (c) if the owner is absent from the Republic or if his address is unknown to the municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or
- (i) if the municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

"Premises" includes any piece of land, the external surface boundaries of which are delineated on:

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

"Prescribed" means prescribed by this policy and where applicable by Council or the Municipal Manager.

"Prescribed debt" means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969.

"Person" means a natural and juristic person, including any department of state, statutory bodies or foreign embassies.

"Rates" means any tax, duty or levy imposed on property by the municipality.

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

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

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

"Service delivery agreement" means an agreement between the municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000.

"Sundry debtor accounts" means accounts raised for miscellaneous charges for services provided by the municipality or charges that were raised against a person as a result of an action by a person, and were raised in terms of Council's policies, bylaws and decisions

"Supervisory authority" means the Executive Committee of the municipality or his or her nominee, acting in terms of Section 99 of the Municipal Systems Act 32 of 2000.

"Tariff" means any rate, tax, duty and levy or fee which may be imposed by the municipality for services provided either by the municipality or in terms of a service delivery agreement.

"Tariff Policy" means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000.

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

3. PRINCIPLES

The principles supported in this policy are: -

- (1) The administrative integrity of the municipality must be maintained at all times.
- (2) This policy must have the full support of Councillors.
- (3) Councillors must have full knowledge of the implementation and enforcement of the policy.
- (4) The Executive Committee oversees and monitors the implementation and enforcement of this policy.
- (5) The Municipal Manager implements and enforces this policy.
- (6) The Municipal Manager may delegate the implementation and enforcement of this policy to the Chief Financial Officer who may in turn delegate duties and responsibilities in terms of this policy to the Manager Income.
- (7) Consumers must be informed of the contents of this policy.
- (8) Consumers must apply for services from the municipality by the completion of the prescribed application form.
- (9) Consumers **must receive regular and accurate accounts** that indicate the basis for calculating the amounts due. The consumer is entitled to have the details of the account explained upon request.
- (10) Consumers must pay their accounts regularly by the due date.
- (11) Consumers are entitled to reasonable access to pay points and to a variety of reliable payment methods.
- (12) Consumers are entitled to an efficient, effective and reasonable response to appeals, and should not suffer any disadvantage during the processing of a reasonable appeal.
- (13) Debt collection action will be instituted promptly, consistently, and effectively without exception and with the intention of proceeding until the debt is collected.

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4. SUPERVISORY AUTHORITY

- (1) The Executive Committee oversees and monitors –
 - (a) The implementation and enforcement of the municipality's credit control and debt collection policy.
 - (b) The performance of the Municipal Manager in implementing the credit control and debt collection policy.
- (2) The Executive Committee shall at least once a year cause an evaluation or review of the credit control and debt collection policy to be performed, in order to improve the efficiency of the municipality's credit control and debt collection mechanisms, processes and procedures, as well as the implementation of this policy
- (3) The Executive Committee shall submit a report to Council regarding the implementation of the credit control & debt collection policy at such intervals as Council may determine.

5. IMPLEMENTING AUTHORITY

- (1) The Municipal Manager: -
 - (a) Implements and enforces the credit control and debt collection policy.
 - (b) Is accountable to the Executive Committee for the enforcement of the policy and shall submit a report to the Executive Committee regarding the implementation and enforcement of the credit control and debt collection policy at such intervals as may be determined by Council.
 - (c) Must establish effective administration mechanisms, processes and procedures to collect money that is due and payable to the municipality.
 - (d) Where necessary make recommendations to the Executive Committee with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures.
 - (e) Establish effective communication between the municipality and account holders with the aim of keeping account holders abreast of all decisions by Council that may affect account holders.
 - (f) Establish customer service centers, located in such communities as determined by the municipal manager.
 - (g) Convey to account holders information relating to the costs involved in service provision, and how funds received for the payment of services are utilised, and may where necessary employ the services of local media to convey such information.

- (2) The Municipal Manager may, in writing, delegate any of the powers entrusted or delegated to him or her in terms of Council's credit control and debt collection by-law to the Chief Financial Officer.
- (3) A delegation in terms of subsection (2) –
- (a) Is subject to any limitations or conditions that the Municipal Manager may impose;
 - (b) May authorise the Chief Financial Officer in writing, to sub-delegate duties and responsibilities to the Manager Income.
 - (c) The delegation does not divest the Municipal Manager of the responsibility concerning the exercise of the delegated power.
 - (d) The Chief Financial Officer is accountable to the Municipal Manager for the implementation, enforcement and administration of this policy, and the general exercise of his powers in terms of this policy.
- (4) The Manager Income shall be accountable to the Chief Financial Officer for the sections of this policy delegated to the Manager Income in terms of the MFMA section 82.

6. UNSATISFACTORY LEVELS OF INDEBTEDNESS

- (1) If the level of indebtedness in a particular ward or part of the Municipality exceeds the level of the acceptable norm as determined in the Municipality's budget guidelines, the supervisory authority (Executive Committee) must, without delay, advise the Councillor for that ward or part.
- (2) The Councillor concerned:-
- Must without delay convene a meeting of the ward committee, if there is one, or convene a public meeting and report the matter to the committee or meeting for discussion and advice; and may make any appropriate recommendations to the supervisory authority.

7. APPLICATION FOR THE PROVISION OF MUNICIPAL SERVICES

- (1) A consumer who requires the provision of municipal services must apply for the service from the municipality.
- (2) The application for the provision of municipal services must be made by the registered owner of an immovable property.
- (3) The municipality will not entertain an application for the provision of municipal services from a tenant of a property, or any other person who is not the owner of the property

- (4) **The only exception to (3) above is that individuals and businesses with lease agreements to lease properties from the municipality and government departments will be allowed to open an account in the name of the lessee of the property**
- (5) **An agent may with a proxy open an account in the name of the owner.**
- (6) The application for the provision of municipal services must be made in writing on the prescribed application form that is provided by the municipality.
- (7) By completing the prescribed application form for the provision of municipal services the consumer of services enters into an agreement with the municipality.
- (8) The agreement with the municipality makes provision for the following: -
- (a) An undertaking by the owner that he or she will be liable for collection costs including administration fees, interest, disconnection and reconnection costs, and any other legal costs occasioned by his or her failure to settle accounts by the due date;
 - (b) An acknowledgement by the owner that accounts will become due and payable by the due date notwithstanding the fact that the owner did not receive the account; and
 - (c) That the onus will be on the owner to ensure that he or she is in possession of an account before the due date.
 - (d) An undertaking by the municipality that it shall do everything in its power to deliver accounts timeously.**
- (9) The application for the provision of municipal services shall be made at least ten (10) days prior to the date on which the services are required to be connected.
- (10) On receipt of the application for provision of municipal services, the municipality will cause the reading of metered services linked to the property to be taken on the working day preceding the date of occupation.
- (11) The first account for services will be rendered after the first meter reading cycle to be billed following the date of signing the service agreement.
- (12) No re-connection will be considered with any outstanding accounts linked to this specific stand.

8. DEPOSITS AND GUARANTEES

- (1) On application for the provision of municipal services the prescribed consumer deposit shall be paid.

- (2) A guarantee in lieu of a deposit may be accepted on application for the provision of municipal services by a business in terms of the prevailing conditions determined by the Municipal Manager at the time of the application.
- (3) Existing consumers moving to a new address are required to pay the prescribed consumer deposit on application for the provision of municipal services at the new address.
- (4) The minimum deposit payable is determined annually by Council and is contained in the tariff book produced annually.
- (5) The consumer deposit paid on application for the provision of municipal services must be reviewed at least annually and may be increased or decreased upon written notice to consumers. The deposit will be the equivalent of at least one months charge for all municipal services supplied; however this maybe increased if it is determined that the consumer is a credit risk.
- (6) **On termination of the supply of services the amount of the deposit less any payment due to the municipality will be refunded to an account holder, provided that payments due are less than the deposit paid, and that the account holder has provided a forwarding address.**
- (7) Section 118 of the Municipal Systems Act is currently being amended so that a person transferring immovable property must deposit with the municipality the equivalent amount equal to sixty (90) days value of municipal rates and services.

9. ACCOUNTS AND BILLING

- (1) Council provides all consumers of municipal services with a monthly consolidated account for rates and refuse removal
- (2) The consolidated account can include property rates charges. Accounts are produced on a monthly basis in cycles of approximately 30 days.
- (3) All accounts rendered by the municipality shall be payable on the due date as indicated on the account.
- (4) Account balances which remain unpaid after 30 days shall attract interest on arrears irrespective of the reason for non-payment. The interest rate is the Prime Bank interest rate plus 1%.
- (5) All accounts are payable by the due date regardless of the fact that the person responsible for the payment of the account has not received the account. The onus is on the account holder to obtain a copy of the account before the due date.
- (6) The municipality bills an owner of a property for the following rates and service charges:-

(a) Property Rates Charges

- (i) Property rates charges are billed annually or monthly as preferred by customers. Currently Government Properties and farms are levied annually
- (ii) Council's preference is that property rates charges be charged monthly. Due to historical legislation and the absence of a Property Rates Policy these charges are being charged monthly and annually.
- (iii) Property rates charges charged annually are billed on the July account of each year and the due date for the payment of these charges is 30 **December** of each year where after interest will be added
- (iv) Property rates charges charged monthly are billed on the monthly accounts and the due date for the payment of the charges is as indicated on the accounts.
- (v) The tariffs to calculate the property rates charges are determined annually and approved by the Council and are contained in the tariff book produced by the municipality.

(b) Water & Sewerage Charges

- (i) Consumption of water is billed in terms of metered consumption for conventional meters or through prepayment meters.
- (ii) Monthly accounts are rendered for sewerage and water consumption by the services authority (SDM) and the due date for payment of the accounts is as indicated on each of the accounts.
- (iii) The tariffs to calculate the water & sewerage charges are determined annually and approved by the Water & Sewerage Authority, in this case Sekhukhune District Municipality and are contained in the tariff book produced by the District Municipality.

(c) Refuse Removal

- (i) Refuse removal are billed in terms of a fixed monthly tariff based on the **valuation in case of residential properties and per square meter in case of business premises**
- (ii) Monthly accounts are rendered for refuse removal and the due date for payment of the accounts is as indicated on each of the accounts.
- (iii) The tariffs to calculate for refuse removal charges are determined annually and approved by Council and are contained in the tariff book produced by the municipality.

(d) Sundry Debtor Accounts

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

(7) Due Date

The due date for the payment of accounts in the various areas of the Greater Tubatse Municipality is the date as indicated on the account.

10. PAYMENT OF ACCOUNTS

- (1) All accounts rendered by the municipality are due and payable on or before the due date as indicated on the account.
- (2) All payments, whether made by cash, stop order, electronic payments or payments made through agents must be receipted by the municipality by the close of business on the due date. Cheques will be accepted as payment of an account (except in the case of payment to obtain a clearance certificate as provided for in terms of Section 118 of the Municipal System Act in which case payment must be made in cash or a bank guarantee cheque or a cheque from the trust account of an attorney). Where a cheque has been dishonoured the person issuing the cheque shall not be allowed to pay by cheque in future.
- (3) Accounts rendered by the municipality can be paid at any municipal cashier office and any other pay point as determined by the Municipal Manager from time to time.
- (4) The payment methods and facilities supported by the municipality can be used to make payments on accounts.

- (5) Payments received in respect of rates and service charges will be allocated by the municipality entirely within its discretion, on the account of the debtor.
- (6) Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account ,then Assessment Rates ,then Refuse, then sewerage and lastly water
- (7) An official receipt issued by the municipality will be the only proof of payments made.

11. INTEREST ON ARREAR DEBT

- (1) Account balances which remain unpaid after 30 days after the due date shall attract interest irrespective of the reason for non-payment. The interest rate shall be **the Prime Bank interest rate plus 1%.**
- (2) The following categories of arrear debt shall not attract interest on arrears: -
 - (a) Indigent debt
 - (b) Closed accounts
 - (c) Deceased estates
 - (d) Insolvent estates
 - (e) Debtors under administration (administration portion only)
- (3) Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of a month shall be deemed to be a month.
- (4) Interest shall be charged on any outstanding amounts in respect of which an agreement had been concluded for the payment by way of installment thereof.

12. ENQUIRIES AND APPEALS

- (1) Any aggrieved person may address a grievance or query regarding charges for municipal services to the Chief Financial Officer in writing or may visit any customer care office provided by the municipality.
- (2) Every consumer has the right to ask and to be provided with a clear explanation as to the services being charged and a breakdown of all amounts shown on their account.
- (3) The aggrieved person shall clearly state the basis of his or her dissatisfaction and the desired resolution.
- (4) The lodging of an inquiry **shall not** relieve the aggrieved person of the responsibility to settle his or her account. An interim payment similar to an average account must be paid by the due date pending finalisation of the enquiry.
- (5) The municipality will respond to all inquiries from consumers in writing within twenty days from the lodging of the enquiry.

- (6) The Manager Income will keep custody of the Enquiries and Appeals Register and will carry out a weekly check on all enquiries and appeals yet to be resolved.

13. DEBT COLLECTION AND CREDIT CONTROL MEASURES

- (1) The Chief Financial Officer is authorised to institute agreed upon debt collection mechanisms without exception and with the intention to proceed until the debt is collected.
- (2) All accounts rendered by the municipality shall be paid on the due date as indicated on the account.
- (3) Account balances which remain unpaid after 30 days of the due date shall attract interest irrespective of the reason for non-payment.
- (4) Account balances which remain unpaid after the due date will be subject to debt collection action.
- (5) Debt collection action will be taken on the total amount outstanding on the account after the due date. The total amount outstanding includes property rates, refuse and sundry debtor charges.
- (6) The debt collection action to be taken will be as follows: -

a). WARNING LETTERS

• Warning Letters

- ✓ Municipality will issue warning letters to the consumers once their accounts are 60 days outstanding, and the account of the consumer will be debited with the cost of such reminder at the approved tariff of the municipality;
- ✓ Warning letters will be posted or hand-delivered to the debtors' physical address;
- ✓ This reminder clearly states that a period of 14 days is allowed for payment and arrangement for payment;

• FINAL DEMAND LETTER

- ✓ Final Demand Letter will be issued once the consumer has failed to comply with the arrangement and the account of the consumer will be debited with the cost of such reminder at the approved tariff of the municipality;
- ✓ Final demand letter will be posted or hand-delivered to the debtors' physical address;

b). APPROVAL OF BUILDING PLANS

Before any building plans pertaining to the alteration, improvement or erection of the building or structure on a property can be considered for approval or any permission to proceed with such construction can be given, all arrears associated with the relevant property are to be paid.

c). SUPPLIERS OF GOODS AND SERVICES TO THE MUNICIPALITY

All suppliers of goods and services to the municipality are required to provide proof that all their accounts are paid in full upon application for the registration as vendors and every six months where applicable.

d). CLEARANCE CERTIFICATES

Before any property can be transferred from one owner to another, all arrears are payable, where after the chief Financial Officer issues a certificate to that effect, No transfer can take place without such a certificate.

e). PERMISSION TO OCCUPY.

Permission to occupy will be granted upon the payment of outstanding debts if there is any

f) HANDOVER OF DEBT TO ATTORNEYS APPOINTED BY COUNCIL

- (i) Debt that are 120 days old may be handed over to debt collectors or attorneys
- (i) Only the Municipal Manager or his delegated official will hand debt over to attorneys for legal collection.

(g) Handover of debt to attorneys appointed by Council

- (i) Debt that are 120 days old may be handed over to debt collectors or attorneys
- (ii) Only the Municipal Manager or his delegated official will hand debt over to attorneys for legal collection.

(iii) All the legal costs of this processes are for the account of the consumer and will be recovered from debtors by debt collectors as quitted by standard rates of law society.

(iv) The account may be taken over from debt collectors if no process is made to recover the debt at no additional cost to the council within the agreed period upon by both parties,

(v) **The following types of debt will not be handed over to the attorneys**

- Debts of indigent debtors that are registered as indigent at the date of handover.
- Debt that is being paid off as per an arrangement with the debtor.
- A debt that has not been under a query for more than two months.
- Government Debt

The process of legal collection includes:-

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

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

- Debt of approved indigent debtors that has not yet been written off by the council.
- Debt that is being paid off as per an arrangement with the debtor.
- A debt that has not been under a query for more than two months.
- Government Debts

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

(i) The municipality will issue a certificate required for the transfer of immovable property in terms of Section 118 of the Local Government: Municipal Systems Act No 32 of 2000, which is lodged with the municipality in the prescribed manner. This is subject to all amounts that became due in

connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.

- (ii) Debt older than two years on the property irrespective of whether the owner of the property accumulated the debt will also have to be paid by the owner before the transfer of the property can be affected.
- (iii) If the owner refuses to pay the debt which is older than two years then the municipality will apply to a competent Court for an order in the following terms: -
 - In the case where there is no judgment debt, for an order staying transfer of the property pending the finalisation of a civil action to be instituted against the person who is in law liable for the payment of the outstanding debt.

In the case where there is already a judgment for the payment of the amount, an order that the judgment debt be paid out of the proceeds of the sale, before the mortgage debt is settled.

- The above action must be taken before the property is transferred as the statutory lien created by Section 118(3) of the Act only endures until the property has been transferred and in terms of Section 118(5) of the Act the new owner of the property cannot be held liable for the debt that became due before a transfer of a residential property took place
- In the case of insolvency or where the property is bought by auction the outstanding amount not covered by the two year clause when issued a clearance certificate will be transferred to the new owner rates account

(h) Other debt collection methods

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

(7) Debt Collection Costs

The commission paid to the attorneys on the amount collected will not be debited to the debtors account but any other legal cost will be recovered from the debtor

14. ARRANGEMENTS TO PAY ARREAR DEBT

Arrangements to Pay Outstanding and Due Amounts in Consecutive Installments – Residential Households

- (1) One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.
- (2) The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis.
- (3) 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:-
- (a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly installments;
 - (b) The current monthly amount must be paid in full; and
 - (c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.
- (4) In order to determine monthly installments a comprehensive statement of assets and liabilities of the debtor must be compiled by a treasury official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

(11) Arrangements

- (a) At the date of the arrangement a minimum of 25% households and 50% business of the capital arrear debt must be paid immediately.
- (b) If 100% of the debt is paid then all the interest outstanding on that date will be written off against the provision for bad debts
- (c) The balance of the debt which includes the capital amount and interest must be paid over a period not exceeding six months and twelve months should be a discretion of the chief financial officer or a delegated officer.
- (d) The total monthly installment must include the current monthly charges plus the amount to pay off arrear debt.
- (e) Arrangement by businesses to pay off arrear debt will only be entertained for debt on which debt collection actions have been taken and which actions are in an advanced stage.

- (f) Failure to maintain the arrangement will result in interest being reversed and full debt collection being implemented, with no possibility of reprieve.
- (11) Any arrangement outside of the foregoing must be approved by the Municipal Manager. This function cannot be delegated.

15. INDIGENT DEBTORS

- (1) An account holder (consumer) may apply, in the prescribed manner, to be regarded as an indigent debtor as defined in the Indigent Policy approved by the council.
- (2) Any person who has been declared indigent shall be entitled to indigent subsidies for basic services on a basis determined by Council from time to time.
- (3) The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.
- (4) The arrears on the accounts of households, approved as indigent, will be submitted to Council to be written off in full (including any interest charged) after the approval by Council as an indigent. This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.

16. DEBT OF ABSCONDED OWNERS

- (1) The occupant of the property must sign an agreement in which the occupant agrees to pay all property rates and service charges that are to be raised on the property of the absconded registered owner's property.

17. STAFF AND COUNCILLORS – PAYMENT OF ARREARS

- (1) All staff joining the municipality must within thirty (30) days sign an agreement to pay arrears.
- (2) All existing staff and councillors who have not entered into an agreement to pay arrears must do so within thirty (30) days of the approval of this policy by council.
- (3) The repayment period for staff is not to exceed twelve (12) months and for Councillors not to exceed 3 months
- (4) All agreements with councillors must not exceed the expiry date of the term of office.

18. ADMINISTRATION ORDERS – PAYMENT OF ARREARS

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

19. WRITE OFF OF IRRECOVERABLE DEBT

- (1) The objective to write off irrecoverable debt is to have a debt book that does not reflect irrecoverable debt.
- (2) For this purpose Council should adopt and implement a write off policy to formalise the processes for writing off such debts.

20. CERTIFICATES REQUIRED FOR TENDERS

- (1) A person or an institution reacting to a tender published by the municipality or wishing to enter into a contract to either provide services or goods to the municipality must produce a certificate, on the prescribed form, which states that regular payment **of rates and services accounts are maintained and that the account is currently up to date.**
- (2) A person who fails to provide such a certificate shall be disqualified from the tendering process.

21. THEFT AND FRAUD

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

i.

REPORTING AND PERFORMANCE MANAGEMENT

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

22. INCOME COLLECTION TARGET

- (1) Income collection targets will be set by the Chief Financial Officer to achieve the optimum debt collection ratio i.e. receipt / billing, that will satisfy the municipalities IDP objectives.

23. PROPERTY MANAGEMENT LEASES

- (1) The procedure for the recovery of arrears on leases will be in accordance with the conditions contained in the relevant lease contract.

24. TEMPORARY WORKERS

- (1) 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 an agreement to pay 20% of their gross remuneration towards these arrears of debt.

25. PROVISION FOR BAD DEBT

1. IMPAIRMENT OF DEBTORS

Consumer debtors, long term receivables and other debtors are stated at cost less provision for bad debt. Provision for impairment is made on an individual basis or based on expected payment.

In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance. The determination of the impairment loss is guided by the following principles as per GRAP 104 :

The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors book are considered to be individually significant by the municipality).

Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:

- debtor type;*
- industry;*
- past due status (e.g. days/months that the accounts are in arrears);*

2. Consumer debtors

Consumer debtors are evaluated at the end of the reporting date and impaired as follows:

Category of Debtor	Percentage of debt provided for as Irrecoverable
Negative Amounts	0%
Current account	0%
Debt owing between 30 to 90 days	50%
Debt in excess of 90 days	100%
Business and Industrial - always pay	0%
Government Organization	0%
Mines - always pay	0%
Indigent Debtors	100%
Municipal	0%
Handed Over	100%

3.2. Sundry Debtors

Sundry debtors are classified as financial instruments with debit balances at year end. Sundry debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

26. UNALLOCATED RECEIPTS

(1) It happens that because of wrong reference numbers or no reference number at all, that some direct banking can not be allocate to the right vote or debtor account.

(2) If the Revenue Section tried there utmost best without success it will be advertised during may of each year in the local newspapers requesting all debtors to come to the Council if they did make any payments that do not reflect on there accounts. This will be opened for 30 days.

(3) After this window period the unallocated receipts up to the end of June of the previous year, with the approval of the CFO, will be taken to the accumulated surplus account of the Municipality. A list with all this amounts taken to the accumulated account will be attached to the journal for audit purposes.

(4) Even if a person bring later a proof of his/her payment it can still be remove from the accumulated surplus account and credited to the debtors account

27. PUBLICATION OF POLICY

- (1) The Municipal Manager shall, within 14 days from the date of adoption of this Policy by the Council, by public note draw the attention of the public to its broad contents and method of application.

28. APPLICATION OF THE POLICY

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

29. IMPLEMENTATION AND REVIEW OF THIS POLICY

- (1) This policy shall be implemented once approved by Council. All future investments must be made in accordance with this policy.
- (2) In terms of section 17(1)(e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

SUPPLY CHAIN MANAGEMENT POLICY



The **GTM**
**GREATER TUBATSE
MUNICIPALITY**

South Africa's first democratic platinum city



**FETAKGOMO/TUBATSE
MUNICIPALITY
LIM476**

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Date of adoption:

Council resolution:

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the **FTM & GTM LOCAL MUNICIPALITY**

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Definitions

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

“Bid” means a written offer in a prescribed or stipulated form in response to an invitation by an organ of state for the provision of goods, works or services.

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

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

“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

“Consortium or joint venture” means an association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract.

“Contract” means the agreement that results from the acceptance of a tender by an organ of state.

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

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

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“Functionality” means the measurement according to pre-determined 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.

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

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

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

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

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

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

(c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Sub-contracting” means the primary contractor’s assigning or leasing or making out work to, or employing another person to support such primary contractor in the execution of part of a project in terms of the contract.

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

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

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

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

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CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

2. (1) All officials and other role players in the supply chain management system of the **FTM & GTM Local Municipality** must implement this Policy in a way that –

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

(2) This Policy applies when the **FTM & GTM Local Municipality**

- (a) procures goods or services;
- (b) disposes goods no longer needed;
- (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
- (d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

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

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

Amendment of the supply chain management policy

3. (1) The accounting officer must –

- (a) at least annually review the implementation of this Policy; and
- (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the **FTM & GTM Municipal Council**.

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

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

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

Delegation of supply chain management powers and duties

4. (1) The **council** hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –

- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –

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- (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
- (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this Policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

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

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

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

Subdelegations

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

- (2) The power to make a final award –
- (a) above R500 000(VAT included) may not be sub-delegated by the accounting officer;
 - (b) above R200 000 (VAT included), but not exceeding R500 000 (VAT included), may be subdelegated but only to –
 - (i) the chief financial officer;
 - (ii) senior manager
 - (c) not exceeding R200 000 (VAT included) may be sub-delegated but only
 - (i) the chief financial officer;
 - (ii) senior manager,
 - (iii) a manager directly accountable to the chief financial officer

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

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

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

- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
- (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or

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- (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

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

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

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

(ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report **to the council of the municipality or in the case of a municipal entity, to the board of directors, who must then submit the**

report to the accounting officer of the parent municipality for submission to the council.

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

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

Supply chain management unit

7. (1) A supply chain management unit is hereby established to implement this Policy.

(2) The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

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

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CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

9. This Policy provides systems for –
- (i) demand management;
 - (ii) acquisition management;
 - (iii) logistics management;
 - (iv) disposal management;
 - (v) risk management; and
 - (vi) performance management.

Part 1: Demand management

System of demand management

10. (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by **the municipality** support its operational commitments and its strategic goals outlined in the Integrated Development Plan.
- (2) The demand management system must –
- (a) include timely planning and management processes to ensure that all goods and services required by **the municipality** are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.
 - (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Part 2: Acquisition management

System of acquisition management

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

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

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

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

Range of procurement processes

12. (1) Goods and services may only be procured by way of –

- (a) petty cash purchases, up to a transaction value of R500 (VAT included);
- (b) at least one quotation for procurements of a transaction value of over R500 up to R2000.00(Vat included);
- (c) at least three written or verbal quotations for procurements of a transaction value over R 2000 up to R10 000 (VAT included);
- (d) three formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and

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- (e) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.

- (2) The accounting officer may, in writing-
 - (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2 000;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000;

or

 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.

- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

General preconditions for consideration of written quotations or bids

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

- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
- (b) has authorised the **municipality** to obtain a tax clearance from the South African Revenue Services that the provider's tax matters are in order; and
- (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Lists of accredited prospective providers

14. (1) Accounting Officers of municipalities and municipal entities should ensure that their supply chain management and other officials utilize the CSD(Central Supplier Database) for a list of accredited prospective providers.

Petty cash purchases

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

- (a) The responsibility for petty cash to an official reporting to the manager may only be delegated in the absent of the manager;

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- (b) purchases from petty cash are to be restricted to small items of stationary, refreshments or small items required in an emergency that do not exceed a transaction value of R500.00 per day;
- (b) At least 5 petty cash purchases may be made per month for each manager;
- (c) Expenditure for registration of motor vehicles may be defrayed from petty cash; and
- (d) a monthly reconciliation report from each manager must be provided to the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.
- (e) petty cash requests must be properly authorized and have the correct line item description. All requests to be accompanied by relevant/appropriate supporting documents e.g. cash sale slips, receipts and so forth.

Written or verbal quotations

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

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the **municipality**, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (b) to the extent feasible, providers must be requested to submit such quotations in writing;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer;
- (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and

- (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

Formal written price quotations.

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

- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the **municipality**;
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
- (d) the accounting officer must record the names of the potential providers and their written quotations.

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

Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

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

- (a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the **municipality**;

- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a subdelegation;
- (e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (f) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (g) Certain transactions like accommodation, conferencing, placing advertisements in newspapers may be negotiated directly with one supplier than requesting for comparative quotations.

Competitive bids

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

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

Process for competitive bidding

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

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

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

Bid documentation for competitive bids

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

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

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- (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (f) Sale of tender documents
Tender document shall be made available to bidders upon payment of a non-refundable fee of:
- 80/20 - R300
90/10 - R500
- depending on the nature of the service

Public invitation for competitive bids

- 22.** (1) The procedure for the invitation of competitive bids, is as follows:
- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the **municipality** or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million

(VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;

- (ii) a statement that bids may only be submitted on the bid documentation provided by the **municipality** ;and
- (iii) date, time and venue of any proposed site meetings or briefing sessions.;

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

- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.
- (5) The municipality reserves the right to sell bids documents at a non-refundable fee determined from time to time as per the different scope of works and services to be rendered

Procedure for handling, opening and recording of bids

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

- (a) Bids—
 - (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.

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- (b) Closure time for bids shall be 12h00 as stipulated in the tender documents.
 - (c) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
 - (d) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
 - (e) The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.
- (f) Bidders shall be required to submit bids for a period specified in the bid document and all bids received will remain valid for period of 90 **working** days after the closing date.

Negotiations with preferred bidders

- 24.** (1) The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
- (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

Two-stage bidding process

- 25.** (1) A two-stage bidding process is allowed for –
- (a) large complex projects;
 - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (c) long term projects with a duration period exceeding three years.

(2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

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

Committee system for competitive bids

26. (1) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:

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

(2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and

(3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.

(4) The committee system must be consistent with –

- (a) paragraph 27, 28 and 29 of this Policy; and
- (b) any other applicable legislation.

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

Bid specification committees

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

(2) Specifications –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
- (g)(i) for procurements of R30 000 to R200 000 must be approved by the supply chain manager or Chief financial officer prior to publication of the invitation to bids in terms of paragraph 22 of this policy
- (ii) for procurements of R200 000 to R1 000 000 must be approved by the chief financial officer prior to publication of the invitation to bids in terms of paragraph 22 of this policy
- (iii) for procurements of R1 000 000 to infinity must be approved by the accounting officer prior to publication of the invitation to bids in terms of paragraph 22 of this policy

(3) A bid specification must be composed of at least one member from the supply chain management office, a chairperson and other members from user departments as appointed by the accounting officer. Other members' participation ceases with the completion of the compilation of a particular specification.

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

Bid evaluation committees

28. (1) A bid evaluation committee must –

(a) evaluate bids in accordance with –

(i) the specifications for a specific procurement; and

(ii) the BEE status level of contribution in terms of Preferential Procurement Policy Framework Act and its revised regulations of 2011.

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

(c) Evaluation process/criteria

(i) All evaluators/members of Bid Evaluation Committee should be cleared at the level of "CONFIDENTIALITY" and should be required to declare their financial interest annually.

(ii) No persons may interfere with the SCM system of FTM & GTM Local Municipality, or tamper with any quotation/bid after its receipt. FTM & GTM Local Municipality must reject a proposal for the award of a contract if the recommended bidder has committed a proven corrupt or fraudulent act in competing for the particular contract.

(iii) FTM & GTM Local Municipality must disregard the bid of any bidder if that bidder, or any of its directors:

- Have abused the SCM system of FTM & GTM Local Municipality

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- Have failed to perform on any previous contract and the proof exists.
- Such actions must be communicated to the National Treasury.

(iv) Quotations or Bids above R30 000 but not exceeding R200 000 must be evaluated against the predetermined criteria in the bid document by the Supply Chain Manager & user department. A report will then be forwarded to the Chief Financial Officer for approval and appointment. The criteria to be taken into account are as per section 28 (10(c)(v):

(v) Bids above R200 000 must be evaluated against the predetermined criteria in the bid document. The criteria to be taken into account are inter alia:

- Compliance with minimum requirements
- Compliance with specification/ TOR and conditions of the bid.
- Functionality
- Price
- the BEE status level of contribution

(vi) Completion and signing of bids

-During evaluation the evaluation committee must do a compliance check that the quotation/bid documentation complies with the predetermined conditions and that all required forms and information are submitted, completed in full and legible.

-The invitation to bid and all forms that form part of the bid document must be signed in ink. All declarations must also be signed and all witnesses must also sign to qualify as valid claims.

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

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

(f) Disqualify bids of which any documents that may be required are not attached

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

(a) officials from different departments as appointed by the accounting officer.

(c) should a member declare a conflict of interest at any stage, the member may not be part of the Bid Evaluation Committee and must be replaced by a member of suitable expertise.

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

(c) officials from user departments may be invited to specific evaluation committee meeting

(d) technical experts may be invited to sit in the bid evaluation meeting.

(3) (a) the accounting officer or delegate must establish and appoint one or more Bid Evaluation Committee, as per requirement

(b) No person other than a member of the Bid Evaluation Committee is allowed to attend the meeting.

Bid adjudication committees

29. (1) A bid adjudication committee must –

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

(b) either –

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

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

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

(a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office

reporting directly to the chief financial officer and designated by the chief financial officer;

- (b) at least one senior supply chain management practitioner who is an official of the municipality ,and
- (b) a technical expert in the relevant field who is an official, if such an expert exists.

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

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

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

- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) notify the accounting officer.
- (b) The accounting officer may –
- (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

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

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

Procurement of banking services

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

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

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

Procurement of IT related goods or services

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

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

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

- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
- (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).

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

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

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

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

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

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

Procurement of goods necessitating special safety arrangements

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

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

Proudly SA Campaign

34. The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

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

Appointment of consultants

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

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

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

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

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

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

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

36. (1) The accounting officer may –
- (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

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

(3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

Unsolicited bids

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

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

- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
- (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
- (c) the person who made the bid is the sole provider of the product or service; and
- (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

(3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –

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

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

(5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.

(6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.

(7) When considering the matter, the adjudication committee must take into account –

- (a) any comments submitted by the public; and

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- (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.

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

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

Combating of abuse of supply chain management system

38. (1) The accounting officer must–

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player;
 or
 - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) reject any bid from a bidder–
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the **municipality**, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the **municipality** or any other organ

of state after written notice was given to that bidder that performance was unsatisfactory;

- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the **municipality** or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

(2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

39. The accounting officer must establish and implement an effective system of logistics management, which must include -

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- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved , certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;
- (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

40. (1) The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

- (i) The asset will be disposed off if it is no longer needed for the provision of minimum level of the basic service,
 - (ii) After the council of the municipality has taken a resolution in a meeting that is open to the public for the disposal of the asset.
- (2) Assets may be disposed of by –
- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

- (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) selling the asset; or
- (iv) destroying the asset

(3) The accounting officer must ensure that –

- (c) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Risk management

41. (1) The criteria for the identification, consideration and avoidance of potential risks in the supply chain management system, are as follows:

- (a) Operationalisation of the different supply chain management committees,
- (b) Proper segregation of duties in the supply chain management unit,
- (c) Focusing on business critical functions by the management,
- (d) Evident risk management programmes

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- (2) Risk management must include –
- (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and
 - (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

42. 1)The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

(2) Penalties

(a)Notwithstanding clause 22 of the General condition of contract,

(i) A service provider must deliver goods and services within 14 working days after receiving a purchase order, unless otherwise specified, failure to adhere will result in termination of service or agreement.

(ii) a penalty of 0.1% based on the balance of the contract amount per day must apply for late performance for contracts above R200 000

(3) Defaulting service providers

Bidders that fail to perform their duties shall be suspended from the municipality's acquisition system as service provider for a period of 12 months.

(4) Submit to council a quarterly reports on the performance of service providers

Part 4: Other matters**Prohibition on awards to persons whose tax matters are not in order**

43. (1) No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.

(3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

Prohibition on awards to persons in the service of the state

44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the municipality.

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

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

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Ethical standards

46. (1) A code of ethical standards as set out in [subparagraph (2)] is hereby established for officials and other role players in the supply chain management system of the **municipality** in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of this Policy –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the **municipality**;
- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
- (g) must be scrupulous in his or her use of property belonging to **municipality**;
- (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and

- (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.

- (3) Declarations in terms of subparagraphs (2)(d) and (e) -
 - (a) must be recorded in a register which the accounting officer must keep for this purpose;
 - (b) by the accounting officer must be made to **the mayor of the municipality** who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

- (5) A breach of the code of ethics must be dealt with as follows -
 - (a) in the case of an employee, in terms of the disciplinary procedures of the **municipality** envisaged in section 67(1)(h) of the Municipal Systems Act;
 - (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
 - (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

Inducements, rewards, gifts and favours to [municipalities, officials and other role players

47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

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- (a) any inducement or reward to the **municipality** for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.

(2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

(3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) a provider or prospective provider of goods or services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed.

Objections and complaints

49. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –

- (a) to assist in the resolution of disputes between the **municipality** and other persons regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.

(3) The person appointed must –

- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.

(4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –

- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
- (b) no response is forthcoming within 60 days.

(5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

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(6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

51. If a service provider acts on behalf of a **municipality** to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the **municipality** must stipulate –

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

52. If the contractor is not from the local then awarded a tender that is estimated to exceed **R3 000 000, 00**, then tender shall contain a clause for subcontracting to local SMMEs of fifteen percent (**15%**) of the original project's value depending on the nature and scope of the project.

REVIEW

53. This Policy will be reviewed Annually.

ASSET MANAGEMENT POLICY



The **GTM**
GREATER TUBATSE
MUNICIPALITY

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FETAKGOMO/TUBATSE LOCAL
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Fetakgomo/ Greater Tubatse Municipality

ASSET MANAGEMENT POLICY

REVIEW: 2015/2016

ABSTRACT

The aim of this policy is to enhance the management of assets by encouraging 'whole of life' and 'whole of organisation' approaches and effective mitigation and management of risks associated with ownership and use of assets. It encourages a long-term view of asset management and requires all stakeholder's to understand and then meet the impacts of operational change in ways that ensure sustainable use of physical and financial resources.

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Revision History

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1.2016	Manager: Assets	09/12/2015	06 August 2016

	Reviewer	Date reviewed
1.	Chief Financial Officer	06 August 2016

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1.	Council Resolution No.:	

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1. GENERAL INFORMATION

1.1 Introduction

The purpose of the Asset Management Policy is to govern the management of assets controlled by the Municipality to ensure that they are procured, managed, controlled, safeguarded and used in an efficient and effective manner.

Asset Management encompasses planning/demand management, acquisitions, use, repairs and maintenance, and disposal of assets. The Municipality shall use assets to effect efficient and effective service delivery to the community within the Municipality.

This policy provides guidance to Management and officials of the Municipality on asset related issues and to ensure consistent, effective and efficient asset management principles.

1.2 Objectives

The objectives of the Asset Management Policy are:

- To ensure that a formal set of procedures are implemented to ensure that efficient and effective management of fixed assets is achieved in compliance with the MFMA.
- To prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by National Treasury.
- To prescribe the administrative guidelines and internal control procedures to be followed by persons in control of assets with regard to management of those assets.
- To ensure the effective and efficient control, utilization, optimization of usage, safeguarding and management of The Municipality's assets.
- To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality.
- To emphasize a culture of accountability over fixed assets.
- To ensure accuracy of the depreciation charge.
- To ensure the accurate recording of asset movements.
- To ensure accurate recording of asset information.
- To ensure compliance with Council's Insurance Policy, Supply Chain Management Policy.
- To comply with current legislation.
- To ensure that fixed assets are not written off and disposed of without proper authorization.
- To ensure that preventative measures are in place to eliminate theft, loss and misuse.
- To establish the procedures that must be followed before expenditure can be incurred on acquisition of assets.
- 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 rules for establishing the useful life of the category of assets.
- To set criteria for the future revaluation of assets.

Failure to comply with this policy will result in the institution of disciplinary procedures in terms of the stipulated conditions of employment of The Municipality.

1.3 Glossary of terms

AC:	Standard reference for South African Generally Recognised Accounting Statement
AMP:	Asset Management Policy
AM:	Asset Manager
AO:	Accounting Officer (i.e. Municipal Manager)
CFO:	Chief Financial Officer
GRAP:	Generally Recognised Accounting Practice
HOD:	Head of Department
IAS	International Accounting Practice
MFMA:	Municipal Finance Management Act (No. 56 of 2003)
MM:	Municipal Manager (i.e. Accounting Officer)
MSA:	Municipal Systems Act (No. 32 of 2000)
PPE:	Property, Plant and Equipment
SAPS:	South African Police Service

1.4 Regulatory requirements

The Municipality is required to comply with the MFMA, MSA, and circulars, memorandum and other guidelines issued by National Treasury.

Effective standards of GRAP relating to Assets are to be complied with by all municipalities. The financial statements should be prepared in compliance with the standards of GRAP.

ISO 55000 provides additional guidance to facilitate for the management of fixed Assets controlled by the Municipality.

1.5 Updating the policy

This policy replaces / supersedes all asset management policy instructions that have previously been issued, drafted, approved and communicated.

The CFO and the Budget and Treasury Division: Asset Management is responsible for updating this policy on an annual basis. All departments are welcome to submit requests to change, enhance or improve the existing policy.

Requests should be submitted to the Asset Management division throughout the year. The requests will be evaluated by the Manager: Assets on an annual basis and any changes deemed desirable will be effected by the Asset Management Division and presented to the Council for approval on an annual basis.

Advice on recommended internal control procedures and interpretation of this document may be obtained from the Asset Management Division. All changes made to the policy and procedures are to be properly and timeously communicated to all staff members.

2. POLICY AUTHORITY AND RESPONSIBILITY

Any departures from the approved policies stated in this policy will require the prior written approval from the following authority and persons:

MOTIVATION BY:	MANAGER: ASSETS
RECCOMENDATION BY:	CHIEF FINANCIAL OFFICER
APPROVAL BY:	MUNICIPAL MANAGER
OVERSIGHT BY:	FINANCE PORTFOLIO AND COUNCIL

3. ACCOUNTING POLICY

3.1 Definitions

Consistent definitions are essential for good asset management and reporting. These definitions were taken from the GRAP standards and guidelines regarding assets:

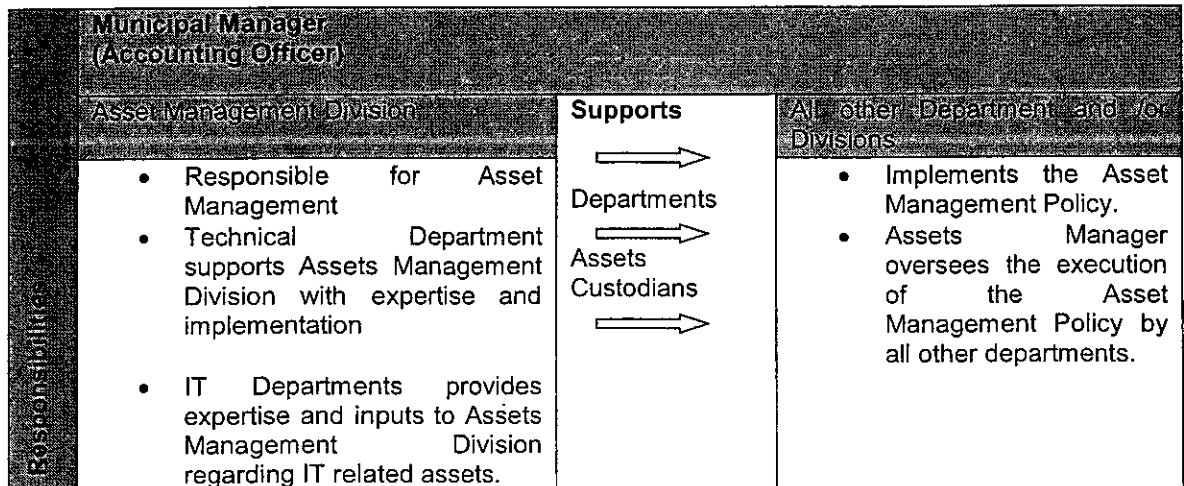
Term	Standard	Definition
Asset	GRAP 1 and 3	<p>An asset is defined in terms of GRAP 1.06 and GRAP 3.04 as follows:</p> <p>“Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.”</p> <p>The Framework provides the following explanations.</p> <ul style="list-style-type: none"> •Future economic benefits: The potential to contribute, directly or indirectly, to the flow of cash equivalents of the operating activities. •Control: The ability to control the benefits which are expected to flow. It's not limited to legal title.
Asset Management	Not applicable	Asset Management encompasses planning/demand management, acquisitions, use, repairs and maintenance, and disposal of assets.
Biological assets	GRAP 27	A biological asset is a living animal or plant.
Carrying amount	GRAP 17	Carrying amount is the amount at which an asset is included in the Balance Sheet after deducting any accumulated depreciation and any impairment losses thereon.
Community Assets	Not applicable	Community assets that contribute to the community's well-being. Examples are parks, libraries and fire stations, taxi ranks, etc.

Cost	GRAP 17	Cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.
Depreciable amount	GRAP 17	Depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.
Depreciation	GRAP 17	Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.
Development	GRAP 31	Development is the application of research findings or other knowledge to a plan or design for the production of new substantially improved materials, devices products, processes or services prior to the commencement of commercial production or use. Development will only constitute a capital expense if it can be linked to an asset.
Fair value	GRAP 17	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.
Finance Lease	GRAP 13	Finance lease is a lease which in effect transfers substantially all the risks and rewards associated with ownership of an asset from the lessor to the lessee.
Head of Department	Not applicable	All incumbents of post level 1 in the different directorates.
Heritage Assets	GRAP 103	Heritage Assets are cultural significant resources. Examples are works of art, historical buildings and statutes.
Infrastructure Assets	GRAP 17	Infrastructure assets are part of a network of similar assets. Examples are roads, water reticulation schemes sewerage purification works.
Investment property	GRAP 16	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 business.
Owner-occupied property	GRAP 17	Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes
Property, Plant and Equipment	GRAP 17	PPE are tangible assets that are held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one reporting period. A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits,

		or reasonably expects to use in service delivery, over a period extending beyond one financial year.
Recoverable amount	GRAP 21 & 26	<p>Cash generating asset</p> <p>The recoverable amount is the higher of its fair valueless costs to sell and its value in use.</p> <p>Non-cash generating asset</p> <p>Recoverable amount is the amount that the entity expects to recover from the future use of an asset, including residual value on disposal.</p>
Research	GRAP 31	<p>Is an original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding</p> <p>Research will only constitute a capital expense when it can be linked to an asset.</p>
Residual value	GRAP 17	Residual value is the net amount which the entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.
Useful life	GRAP 17	<p>Useful life is either:</p> <p>(a) the period of time over which an asset is expected to be used by the entity, or</p> <p>(b) The number of production or similar units expected to be obtained from the asset by the entity.</p>

3.2 Roles and Responsibilities

3.2.1 Overview



The diagram above depicts an overview of the key role players involved in asset management. The Technical Department supports Budget and Treasury: Asset Management Division. All departments are accountable to Budget and Treasury for execution of the Asset Management Policy. Each department is supported by Asset Custodians in various divisions, locations, sites and offices.

3.2.2 Municipal Manager

Responsibilities

The MM is the AO of the Municipality in terms of section 60 of the MFMA is the ultimate authority for Asset management. Section 63 of the MFMA prescribes the following responsibilities for the AO:

- Safeguarding and maintenance of assets.
- Implementation of an information system that accounts for the assets.
- Ensuring that assets are valued in terms of generally recognised accounting practice.
- Maintaining a system of internal control of assets (e.g. an asset register).

Delegations

The AO may delegate to a member of the municipality's top management (chief financial officer; senior managers responsible for managing votes; other senior officials) or any other official of the municipality in terms of section 79 (1) (b) of the MFMA:

- Any powers or duties assigned to an AO in terms of the Act relating to Asset Management are henceforth delegated to the CFO by this policy.

3.2.3 Chief Financial Officer

The CFO shall be the asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date asset register is maintained.

No amendments, deletions or additions to the asset register shall be made other than by the CFO or by an official acting under the instruction of the CFO.

The following duties are delegated to the CFO by this policy:

- To ensure that Council assets are accounted for in accordance with generally recognised accounting practice.
- To ensure that the general ledger is reconciled to the asset register.
- To review the reconciliation between the general ledger and the asset register
- To provide the Auditor-General or his personnel, on request, with the financial records relating to assets belonging to Council as recorded in the general ledger.
- To manage and provide guidance to Asset Management Division staff.

3.2.4 Heads of Department

This policy prescribes the following duties of responsibility for senior managers (also referred to as HOD's) relating to asset management.

"Each senior manager of the municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure –

- That the assets of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- That all information required for compliance with the provisions of this policy is timeously submitted to the Chief Financial Officer.; and
- That all provisions of this policy, to the extent applicable to the respective department, are complied with.

The HOD's are responsible to ensure that all employees within their respective department adhere to this Asset Management Policy and Procedures.

3.2.5 Assets Manager

The Assets Manager is responsible for the Asset Management Division within the Budget and Treasury Department and shall assist the CFO in carrying out the duties listed above. The Asset Manager shall:

- Manage, update and maintain municipal assets to ensure compliance with this policy.
- Coordinate asset verification monthly and annually and prepare reconciliation between asset register and trial balance.
- Manage moveable and immoveable assets.
- Manage and control specific accounting procedures associated with acquisition, movement and disposal of municipal assets.

- Ensure that the Municipal Assets register is up to date and the valuation and depreciation recording complies with audit and statutory financial provisions.
- Ensure that assets are adequately secured and insured after acquisition.
- Develop and maintain the municipal strategic asset management plan.
- Develop asset need assessment, acquisition management, operation and disposal plans.
- Control the key performance areas and critical outputs of personnel within the Asset Management Unit.

3.2.6 Asset Custodians

The Assets Division shall ensure that adequate procedures for regular independent checks of fixed assets are in place to monitor changes in the status of the Assets. Each employee shall implement and maintain asset control in each office, location or area. For each office, location or area, the Asset Division must be notified and record at least one as the "Assets Custodian" for that particular office, location or area.

It is the responsibility of the Asset Custodians to ensure that all changes in the status of the fixed assets under their custodianship are promptly communicated to the Assets Division **at the earliest possible opportunity to do so.**

The Asset Custodian shall ensure that:

- All information needed by the Assets Division to compile and update the Asset Register, is communicated to the Asset Management Division.
- The Assets Division is notified of any changes in the status of the assets under the control of the Custodian at the earliest possible opportunity to do so (e.g. asset transfers, asset impairments, losses and asset disposals, etc.).
- **All transfers/movement of assets are signed off by the Assets Division before such a transfer or movement takes place.**
- Any change in the status of a fixed asset under their custodianship is updated on the inventory control sheet and signed off by an Asset Management Division official.
- The inventory and/or assets of the Municipality are not used for private purposes and gain by any employee/Councillor.
- Control is exercised over the assets under his/her custodianship and shall report any enhancement/improvement, damage, loss, transfer or disposal of the assets to the Assets Division.
- Relevant reports on damage/breakage and the theft/loss of any asset under his/her custodianship are submitted to the Assets Division **within two (2) working days of the incident.**
- Any discrepancies in the asset stock take report are followed up.
- All assets within under his/her custodianship are recorded on the inventory list and are bar coded.

3.3 Accounting Policy Framework

3.3.1 Format of the Asset Register

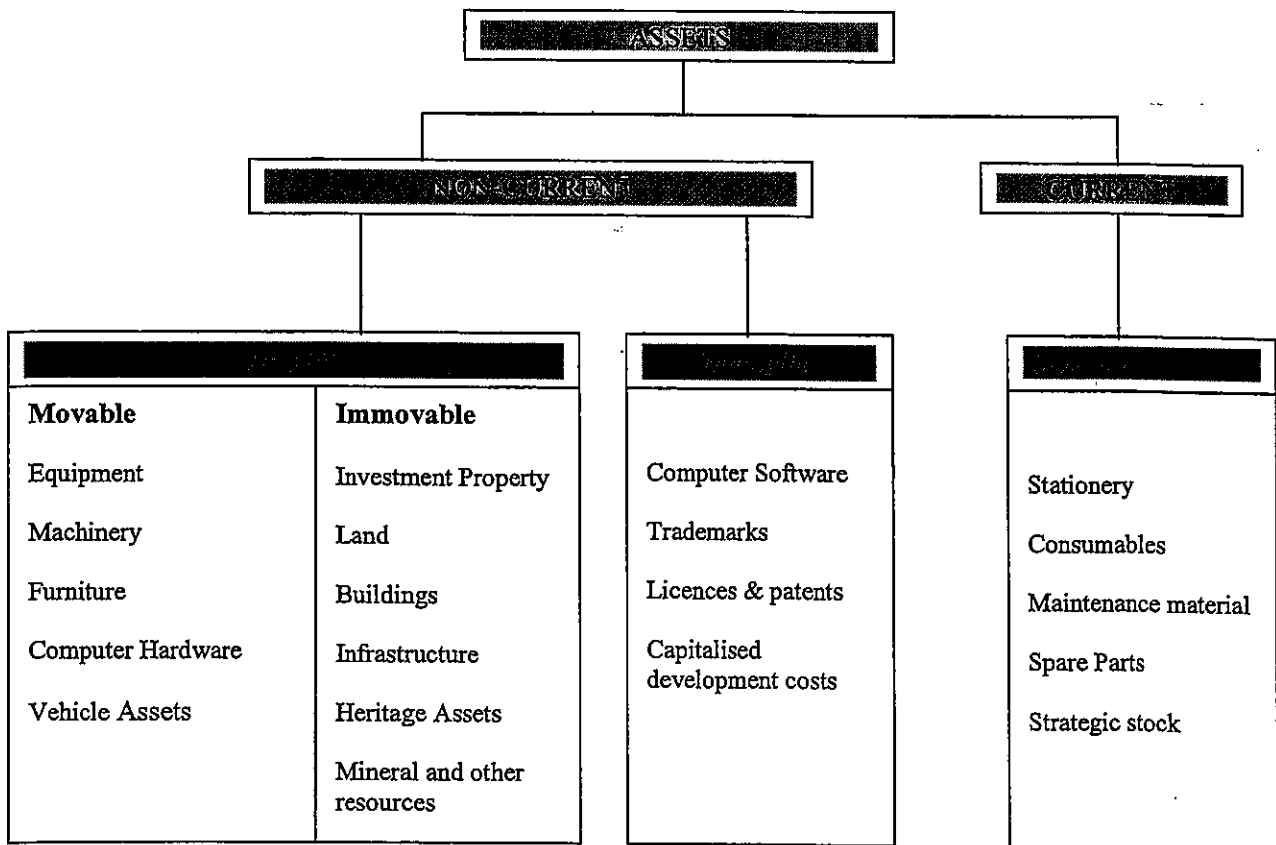
The asset register shall be maintained in the format determined by the CFO. The format must comply with the requirements of GRAP, and any other applicable accounting requirements.

3.3.2 Classification of Assets

The CFO must ensure that all assets are, as prescribed by the current standards, classified under the following headings in the asset register and Statement of Financial Position:

- PPE (Infrastructure, Land, Building, IT Equipment, etc.)
- Investment property
- Inventory
- Intangible Assets
- Heritage Assets
- Biological Assets

The classification of Assets shall be further sub-classified as follows:



T/A

3.3.3 Property, Plant and Equipment treated as Inventory

Any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business, shall be accounted for as inventory, and not included as either PPE or investment property in the municipality's Statement of Financial Position.

3.3.4 Property, Plant and Equipment

3.3.4.1 Recognition criteria

PPE shall be recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- The cost or fair value of the asset can be measured reliably.

3.3.4.2 Initial measurement

Purchased assets

An item of PPE which qualifies for recognition as an asset shall initially be measured at its cost.

Donated assets

Where an asset is acquired at no cost, or for a nominal cost, its deemed cost is its fair value as at the date of acquisition, if it not possible to obtain such a fair value, the carrying amount of a similar item of a similar age and condition may be used as the deemed cost of the donated asset.

3.3.4.3 Capitalisation exemptions

Capitalisation threshold shall be as follows.

All assets of the municipality meeting the definition of an asset as per the various GRAP standards shall be recorded in the asset register. The following exemptions shall apply and any cost related to these items shall be expensed to printing and stationary votes:

- Letter trays or similar items.
- Staplers.
- Punchers.
- Calculators
- Any other item issued through stores as an inventory item.

3.3.4.4 Components of Cost/Valuation of assets

General

The cost of an item of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working condition for its intended use.

Any trade discounts and rebates are deducted in arriving at the purchase price.

Examples of directly attributable costs are:

- (a) The cost of site preparation,
- (b) Initial delivery and handling costs,
- (c) Installation costs,
- (d) Professional fees such as for architects and engineers, and
- (e) The estimated cost of dismantling the asset and restoring the site, to the extent that it is recognised as a provision. Guidance on accounting for provisions is found in GRAP on Provisions, Contingent liabilities and Contingent assets.

Administration and other general overhead costs are not a component of the cost of PPE unless they can be directly attributed to the acquisition of the asset or bringing the asset to its working condition. Similarly, start-up and similar costs do not form part of the cost of an asset unless they are necessary to bring the asset to its working condition. Initial operating losses incurred prior to an asset achieving planned performance are recognised as an expense. **Recoverable indirect costs** (e.g. VAT etc.) are not a component of the cost of PPE.

Self-constructed assets

The cost of a self-constructed asset is determined using the same principles as for an acquired asset. If an entity makes similar assets for sale in the normal course of business, the cost of the asset is usually the same as the cost of producing the assets for sale (refer to GRAP 12 on Inventories). Therefore, any internal surpluses are eliminated in arriving at such costs. Similarly, the cost of abnormal amounts of wasted material, labour or other resources incurred in the production of a self-constructed asset is not included in the cost of the asset.

Repairs and Improvements to fixed assets

Where improvement costs are incurred to improve a specific asset (i.e. the improvement will increase capacity or extend the useful life of the assets), 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 life span or increase the capacity of an asset, the cost thereof are expensed to repairs and maintenance in the income statement.

Finance lease assets

At the commencement of the lease term, the municipality shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the municipality's incremental borrowing rate shall be used. Any initial direct costs of the municipality are added to the amount recognised as an asset.

Deferred payments

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

3.3.4.5 Exchange of assets

In accordance with GRAP 17 the accounting treatment relating to the exchange of dissimilar and similar assets as follows:

Dissimilar exchange

PPE may be acquired in **exchange or part exchange for a dissimilar item of PPE or other asset**. The cost is measured at the fair value of the asset received which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents transferred.

Similar exchange

PPE may be **acquired in exchange for a similar asset** that has a similar use in the same line of operations and which has a similar fair value.

The cost of the new asset is the carrying amount of the asset given up.

The fair value of the asset received may provide evidence of impairment in the asset given up. Therefore, the asset given up is written down and this written-down value is assigned to the new asset

If other assets such as cash are included as parts of the exchange transaction this may indicate that the items exchanged do not have a similar value.

3.3.4.6 Subsequent expenditure

Subsequent expenditure relating to PPE should be added to the carrying amount of the asset when it is probable that:

- Future economic benefits or service potential
- Over the total life of the asset
- In excess of the most recently assessed standard of performance of the existing asset,
- will flow to the entity.

Otherwise, all other subsequent expenditure not meeting the definition above will be accounted for as repairs and maintenance expense.

Major components of some items of PPE that require replacement at regular intervals must be accounted for as separate assets as they have different useful lives. Therefore, the expenditure incurred in replacing or renewing the component should be accounted for as an acquisition of a separate asset and the replaced asset should be written off.

For example, a reservoir may require relining after a specified number of hours of usage or components of a sewerage purification works may need replacing during the lifetime of the works, or a road may need resurfacing every few years, a furnace may require relining after a specified number of hours of usage.

3.3.4.7 Measurement subsequent to initial recognition

Subsequent to the initial recognition as an asset, an item of PPE shall be measured as follows in terms of GRAP 17.

Carried at its cost less any accumulated depreciation and any accumulated impairment losses.	Carried at cost.
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3.3.4.8 Depreciation

All depreciable PPE shall be depreciated.

In accordance with the GRAP 17 the accounting treatment of depreciation is summarised below.

Depreciation method

The CFO shall depreciate all depreciable assets on the straight-line method of depreciation over the assessed useful operating life of the asset in question. (See useful lives in **Appendix A**)

Commencement date

Depreciation shall be calculated from the day in which an asset is acquired for moveable assets (i.e. the invoice date). The Municipality will calculate depreciation from the beginning of the month following the month in which the asset was completed for constructed/immovable assets such as roads, buildings and infrastructure assets.

Useful life

The Manager: Assets shall assign a useful life to each depreciable asset recorded on the municipality's asset register. In determining such a useful life the Manager: Assets shall adhere to the useful lives set out in the **Appendix A** to this document.

In the case of a fixed asset which is not listed in **Appendix A**, the Manager: Assets shall determine a useful life, if necessary in consultation with the HOD who shall use the asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

Lost, stolen or irreparable damaged assets must be fully written off when the event occurs.

Review of the useful life

The useful life of an item of PPE shall be reviewed periodically. Where the expectations are significantly different from previous estimates, the depreciation charge for the current and future periods shall be adjusted.

The useful life must be amended where assets are materially impaired, improperly maintained or any event occurs affecting the rate at which economic benefits or service potential is consumed. Depreciation shall be calculated starting from the beginning of the year using the reviewed useful life as determined at year end. The change shall be treated as a change in estimate.

Review of the depreciation method

The depreciation method applied to PPE shall be reviewed periodically and, if there has been a significant change in the expected pattern of economic benefits or service potential from those assets, the method shall be changed to reflect the changed pattern. When such a change in depreciation method is necessary, depreciation shall be calculated starting from the beginning of the year using the new depreciation method. The change shall be accounted for as a change in accounting estimate and the depreciation charge for the current and future periods shall be adjusted.

Accounting treatment

Depreciation shall generally take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.

Land and buildings

Land and buildings are dealt with separately for accounting purposes even when they are acquired together. Land normally has an unlimited lifespan and will not be depreciated. Buildings have a limited life and are depreciated.

3.3.4.9 Impairment losses

The following procedures need to be performed to determine whether a cash-generating asset and a non-cash generating asset are impaired. GRAP 26 (Impairment of assets) shall be applied to cash-generating assets and GRAP 21 shall be applied to non-cash generating assets.

Cash-generating assets

GRAP 26 (Impairment of assets) shall be applied to determine whether a cash generating asset is impaired.

A cash generating asset (unit) is the smallest identifiable group of assets that generates cash flows that are independent of the cash inflows from other assets or group of assets. The cash generating asset is impaired if its carrying amount is higher than its recoverable amount.

Recoverable amount

The recoverable amount is the higher of its fair value less costs to sell and its value in use.

- *Fair value less costs to sell*: Amount obtainable in an arm's length transaction less costs of disposal.
- *Value in use*: Discounted future net cash flows from the continuing use and ultimate disposal of the asset.

Frequency of impairment test

An annual impairment test should be performed to determine whether the carrying amount exceeds the recoverable amount by assessing the indicators of impairment at each reporting date.

Reversal of impairment

The reversal of the impairment should be recognised in the Statement of Financial Performance unless the asset is carried at the revalued amount when there are indicators that the asset may no longer be impaired.

Non-cash generating asset

In accordance with GRAP standard relating to instances where non-cash generating assets are impaired is as follows:

- The non-cash generating asset is impaired if its carrying amount is higher than its recoverable amount.
- The carrying amount shall be reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount.

Accounting treatment

The amount of the reduction shall be recognised as an expense immediately, unless it reverses a previous revaluation in which case it shall be charged to the non-distributable reserve headed "Revaluation Surplus".

3.3.4.10 Retirements and disposals

In accordance with GRAP 17 PPE shall be eliminated from the Statement of Financial Position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Any gains or losses from the retirement or disposal of an item of PPE are calculated as follows:

TH

Gain/loss = Estimated net disposal proceeds – carrying amount of the asset.

The gain or (loss) shall be included in the statement of financial performance as an item of revenue or (expense), whichever is applicable.

PPE retired from active use and held for disposal should be recorded at its carrying amount at the date it is retired from active use. At each reporting date the asset must be tested for impairment and record any impairment loss in terms of **section 3.3.4.9**

3.3.5 Heritage Assets

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.

In order to meet the definition of an asset, it must be controlled by the municipality as a result of past events and future economic benefits or service potential are expected to flow to the entity from holding it..

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.

If the municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

3.3.6 Investment Property

Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position.

The following are examples of investment property:

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations. For example, land held by a hospital for capital appreciation which may be sold at a beneficial time in the future;

(b) Land held for a currently undetermined future use. (If an entity has not determined that it will use the land either as owner-occupied property, including occupation to provide services such as those provided by national parks to current and future generations, or for short-term sale in the ordinary course of operations, the land is considered to be held for capital appreciation.);

(c) A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis. For example, a university may own a building that it leases on a commercial basis to external parties;

(d) A property owned by the entity and leased out at a below market rental; and

(e) Property that is being constructed or developed for future use as investment property.

Recognition criteria

GRAP 16 states that investment property shall be recognised as an asset when and only when:

- (a) It is **probable** that the **future economic benefits** that are associated with the investment property will flow to the entity; and
- (b) The **cost** of the investment property **can be measured reliably**.

Measurement at initial recognition

GRAP 16 states that:

An investment property shall be measured initially at its cost (transaction costs shall be included in this initial measurement).

Where an investment property is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

Measurement subsequent to initial recognition

All investment property shall be measured at its fair value. Investment property shall not be depreciated, but shall be annually valued on balance sheet date to determine their fair (market) value.

Investment assets shall be recorded in the balance sheet at such fair value. Adjustments to the previous year's recorded fair value shall be accounted for as either gains (revenues) or losses (expenses) in the accounting records of the department or service controlling the assets concerned.

A qualified valuer, with knowledge of local conditions and experience in valuing similar types of assets, shall be engaged by the municipality to undertake such valuations.

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

3.3.7 Inventory

Recognition of spare parts and servicing equipment

GRAP 17 states that most spare parts and servicing equipment are usually carried as inventory and recognised as an expense as consumed. However, major spare parts and stand-by equipment qualify as PPE when the entity expects to use them during more than one period or when their use is expected to be irregular.

Spare parts and land/property held for sale are accounted for as inventory in terms of GRAP 12 unless the spare parts meet the requirements to be recognised as PPE in terms of GRAP 17.

Depreciation of spare parts and stand-by equipment qualifying as PPE

Depreciation will be over the time period not exceeding the useful life of the related asset.

3.3.8 Biological Assets

Accounting for biological assets (living animals or plants) shall take place in accordance with the requirements of GRAP 27.

The CFO, in consultation with the head(s) of department concerned, shall ensure that all biological assets, such as livestock and crops, are valued at 30 June each year at fair value less estimated point-of-sales costs.

Any losses on such valuation shall be debited to the department or vote concerned as an operating expense, and any increase in the valuation shall be credited to the department or vote concerned as operating revenue.

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported in writing by the HOD concerned in exactly the same manner as though the asset were an ordinary asset.

Records of the details of biological assets shall be kept in a separate section of the asset register or in a separate accounting record altogether and such details shall reflect the information which the CFO, in consultation with the HOD concerned and the internal auditor, deems necessary for accounting and control purposes.

The CFO shall annually insure the municipality's biological assets, in consultation with the HOD's concerned, provided the Council of the municipality considers such insurance desirable and affordable.

3.3.9 Research and development

Accounting for expenditure incurred on research and development shall take place in accordance with the requirements of GRAP 31.

Research or development expenditure that:

- (a) Relates to an in-process research or development project acquired separately and recognised as an intangible asset; and
- (b) is incurred after the acquisition of that project shall be accounted for in accordance with paragraphs .49 to .58 of GRAP 31.

Applying the requirements in paragraphs .49 to .58 means that subsequent expenditure on an in-process research or development project acquired separately and recognised as an intangible asset is:

- (a) recognised as an expense when incurred if it is research expenditure;
- (b) recognised as an expense when incurred if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset in paragraph .52; and
- (c) added to the carrying amount of the acquired in-process research or development project if it is development expenditure that satisfies the recognition criteria in paragraph .52.

3.3.10 Disclosures

3.3.10.1 **Property, plant and equipment**

GRAP standards details the disclosure requirements for accounting purposes relating to various types of Assets covered by such standards. In general, the following aspects need to be disclosed:

- The measurement bases.
- Depreciation method/(s) used.
- Useful lives or depreciation rates.
- Gross carrying amount and accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.
- Reconciliation of the carrying amount at the beginning and end of the period showing:
 - additions,
 - disposals,
 - acquisitions through business combinations,
 - increases or decreases during the period resulting from revaluations,
 - reductions in the carrying amount (impairment losses),
 - impairment losses (if any) reversed,
 - depreciation, and
 - other movements.
- Existence and amounts of restrictions on the title for PPE pledged as security for liabilities.
- The amount of commitments for the acquisition of PPE.
- The accounting policy for estimated costs of restoring the site of PPE.
- When property is stated at revalued amount, the following shall be disclosed:
 - the basis used to revalue property,
 - the effective date of the revaluation,
 - whether an independent valuer was involved,
 - the nature of any indices used to determine replacement cost, and
 - the revaluation surplus, indicating the movement for the period.

3.3.10.2 *Investment property*

GRAP 16 details the disclosure requirements for accounting purposes relating to investment property.

4 ACCOUNTING POLICY IMPLEMENTATION GUIDE

4.1 Format of the Asset Register

The asset register shall reflect the following information:

- Description of each asset
- Date of acquisition/brought into use
- Unique asset number (barcode)
- Title deed number (for property)
- Erf and portion number (for property)
- Location of asset (e.g. physical address, GPRS co-ordinates and description, unique location number)
- Original cost
- Revalue amount (if applicable)
- Fair value (if no costs are available)
- Last revaluation date of assets subject to revaluation
- Who performed the last valuation?
- Accumulated depreciation to the beginning of the current year
- Depreciation charge for the current year
- Accumulated depreciation at year end
- Carrying value of the asset
- Method and rate of depreciation.
- Impairment losses incurred during the financial year (and reversal of such losses, where applicable)
- Department(s) or vote(s) within which the assets will be used
- Source of financing
- Current insurance arrangements
- Use of the asset e.g. to perform basic municipal services
- Nature and duration of assets secured for debt and other encumbrances
- Disposal date/date of retirement from use
- Disposal price (proceeds)
- Responsible official
- Condition of the Asset
- Status of the Asset

Investment property shall be recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

PPE treated as inventories shall be recorded in the asset register in the same manner as other assets, but a separate section of the asset register shall be maintained for this purpose.

Major spare parts and stand-by equipment should be bar-coded and recorded in the asset register.

An asset shall be capitalised, that is, recorded in the asset register, as soon as it is acquired. If the asset is constructed over a period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately classified an asset.

An asset shall remain in the asset register for as long as it is in physical existence.

4.2 Classification of Assets

The CFO must ensure that all assets are, as prescribed by the current standards, classified under the following headings in the asset register.

4.2.1 Property, plant and equipment

PPE shall be classified as follows:

Category	Description	Examples
Infrastructure assets	Infrastructure assets are any assets that are part of a network of similar assets. Some assets are commonly described as infrastructure assets. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics: (a) They are part of a system or network, (b) They are specialised in nature and do not have alternative uses, (c) They are immovable, and/or (d) They may be subject to constraints on disposal.	Roads, water and reticulation schemes, sewerage purification, electricity assets and trunk mains.
Buildings	Assets that require to be constructed.	Offices, libraries and fire stations.
Heritage assets	Heritage assets are culturally significant resources.	Works of art, historical buildings and statues.
Land	Land that is controlled by the municipality for use by the municipality, whether there are structures thereon or not.	Land on which the municipal offices lie on.

Other assets	Other assets are assets utilised in operations except for assets referred to in section 3.3.3.	Plant and equipment, motor vehicles and furniture and fittings. Property classified as investment property.
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Where the municipality acts as agents and construct assets on behalf of Provincial Government, and such assets are not under the control of The Municipality, such costs are expensed. Only the infrastructure that will be under the control of the municipality will be capitalised.

4.2.2 Investment property

Investment property shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position. Refer to **section 3.3.6.**

4.2.3 Inventory

Major spare parts and stand-by equipment qualify as PPE when the entity expects to use them during more than one period or when their use is expected to be irregular in terms of GRAP 17. Refer to **section 3.3.7.**

4.2.4 Intangible assets

Accounting for intangible shall take place in accordance with the requirements of GRAP 31.

4.3 Property, Plant and Equipment

4.3.1 Components of Cost/Valuation of assets

Deferred payments

Where the municipality defer payment for an asset, such deferred payment shall be accounted for in terms of GRAP 17

4.3.2 Subsequent expenditure

In accordance with GRAP the requirements relating to subsequent expenditure are as follows:

Recognising subsequent expenditure as an asset

- Subsequent expenditure on PPE is only recognised as an asset when the expenditure improves the condition of the asset, measured over its total life, beyond its most recently assessed standard of performance.
- Examples of improvements that result in increased future economic benefits or service potential include the following:

- (a) Modification of an item of plant to extend its useful life, including an increase in its capacity,
- (b) Upgrading machine parts to achieve a substantial improvement in the quality of output, and
- (c) Rehabilitation of a road enabling a substantial reduction in previously assessed maintenance costs.

Recognising subsequent expenditure as an expense

- Expenditure related to repairs or maintenance of PPE are made to restore or maintain the future economic benefits or service potential that an entity can expect from the most recently assessed standard of performance of the asset.
- Therefore, they are usually recognised as an expense when incurred.
- The cost of servicing or overhauling plant and equipment is usually an expense since it restores, rather than increases, the most recently assessed standard of performance.

Other considerations

GRAP 17 states that:

The **appropriate accounting treatment for expenditure incurred subsequent to the acquisition** of an item of property, plant and equipment **depends on the circumstances**, which were **taken into account** on the **initial measurement and recognition** of the related item of property, plant and equipment **and whether the subsequent expenditure is recoverable**.

For instance, **when the carrying amount** of the item of property, plant and equipment already **takes into account a loss in economic benefits or service potential**, the **subsequent expenditure to restore** the future economic benefits or service potential expected from the asset **is capitalised, provided that the carrying amount does not exceed the total economic benefits or service potential** that the entity expects to recover from the continued use and ultimate disposal of the item.

This is also the case when the purchase price of an asset already reflects the entity's obligation to incur expenditure in the future, which is necessary to bring the asset to its working condition.

An example of this might be the acquisition of a building requiring renovation. In such circumstances, the subsequent expenditure is added to the carrying amount of the asset to the extent that it can be recovered from future use of the asset.

4.3.3 Revaluations of land and buildings

Determination of the fair value

For many assets, the fair value will be readily ascertainable by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for land and non-specialised buildings.

Frequency of revaluations

The frequency of revaluations depends upon the purpose for revaluation. The CFO and the Manager Assets shall use their discretion and judgment to determine the frequency of the valuation.

Classes of property

A class is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

- (a) Land,
- (b) Operational buildings,
- (c) Office buildings,
- (d) Roads,
- (e) Machinery,
- (f) Electricity transmission networks,
- (g) Motor vehicles,
- (h) Furniture and fixtures, and
- (i) Office equipment.

The CFO and the Manager assets shall apply their professional judgment to determine which classes to include in the Fixed Assets Register and are not necessarily confined to the list above.

4.3.4 Depreciation

In addition to the definition of depreciation explained in **section 3.1**, depreciation is also understood to be the monetary quantification of the extent to which PPE is used or consumed in the provision of economic benefits or the delivery of services.

Useful life

The useful life of an asset is defined in terms of the asset's expected utility to the entity. It reflects the amount of time the municipality is expecting to consume economic benefits or service potential embodied in the asset.

Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of an item of property, plant and equipment is a matter of judgement based on the experience of the municipality with similar assets.

4.3.5 Impairment losses

Indicators of impairment for cash-generating assets

Internal indicators	External indicators
<ul style="list-style-type: none"> • Evidence of obsolescence or physical damage • Discontinuance, disposal or restructuring plans 	<ul style="list-style-type: none"> • Significant decline in the market value • Changes in technological, market, economic or legal environment • Changes in interest rates

<ul style="list-style-type: none"> • Declining asset performance 	<ul style="list-style-type: none"> • Low market capitalisation
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Indicators of a reversal of the impairment for cash-generating assets

The reversal of impairment may occur due to the following:

Indicators of a reversal of the impairment for cash-generating assets	Indicators of a reversal of the impairment for cash-generating assets
<ul style="list-style-type: none"> • Changes in the way the asset is used or expected to be used • Evidence from internal reporting indicates that economic performance of the asset will be better than expected 	<ul style="list-style-type: none"> • Significant increase in market value • Changes in technological, market, economic or legal environment • Changes in interest rates • Market interest rates have decreased

4.4 Heritage Assets

<p>Examples of heritage assets</p> <p>Include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art.</p> <p>Certain characteristics, including the following, are often displayed by heritage assets (although these characteristics are not exclusive to such assets):</p> <ul style="list-style-type: none"> (a) Their value in cultural, environmental, educational and historical terms is unlikely to be fully reflected in a financial value based purely on a market price, (b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale, (c) They are often irreplaceable and their value may increase over time even if their physical condition deteriorates, and (d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

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5 ASSET MANAGEMENT PROCEDURES

5.1 Summary of asset management responsibilities

The table below summarises the departments, specific employee designations and structure's referred to (explicitly or implied) in the various sections.

Department	Human Resources	Technical	Budget & Treasury	All departments	HOD	CFO	MM	Council
5.2 Budget process		✓	✓	✓	✓	✓	✓	✓
5.3 Acquisition of assets			✓	✓	✓	✓	✓	
5.4 Methodology of Valuation of assets		✓	✓		✓	✓	✓	
5.5 Disposal of assets		✓	✓	✓	✓	✓	✓	✓
5.6 Departmental transfers of assets		✓	✓	✓	✓			
5.7 Resignations	✓		✓	✓	✓			
5.8 Identification of assets			✓	✓	✓	✓	✓	✓
5.9 Verification of assets		✓	✓	✓				
5.10 Safekeeping of assets				✓	✓			
5.11 Alienation of assets	✓	✓	✓	✓	✓	✓	✓	✓
5.12 Reporting write-offs of assets			✓		✓	✓		
5.13 Maintenance			✓		✓		✓	
5.14 Private use of municipal assets				✓	✓			
5.15 Replacement norms			✓	✓	✓	✓	✓	
5.16 Insurance of assets			✓	✓		✓	✓	
5.17 Disposal of fire arms			✓	✓				
5.18 Biological assets					✓	✓		

5.2 Budget Process

Each HOD, acting in consultation with the Budget Manager and Manager: Assets, shall:

- Prepare an annual budget for the acquisition of assets and the maintenance of assets under their departments.
- Ensure that reasonable budgetary provision is made annually for the depreciation of all applicable assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.
- Ensure that the Asset Management Plan that outlines the Assets to be acquired and/or maintained, the estimated costs and the timing of such acquisition and/or maintenance, and the votes funding the acquisition or the maintenance includes assets under their department and is in line the budget.

5.3 Acquisition of Assets

All assets to be purchased should be in terms of the approved budget. Depending on the type of the asset to be purchased and after the necessary authorisation has been obtained the following procedure for purchasing an asset must be followed:

Moveable Assets

- The user/user department shall submit a request for acquisition of an asset to the Assets Division. The Asset Manager shall confirm that the acquisition is in line with the Asset Management Plan.
- The Asset Manager confirms that the acquisition is as per Asset Management Plan or is necessary for continued operations of the municipality and proceeds with the process to acquire the asset(s).
- Requisition form is completed by the Asset Manager and submitted for authorization.
- Quotations must be obtained in terms of the Supply Chain Management Policy.
- The bidding process procedures will apply in terms of the MFMA Municipal SCM Regulations and the municipality SCM Policy where the amount of the asset will likely exceed the three quotation threshold.
- The Assets Division receives the asset and together with the user department inspect the asset. Once satisfied that the asset received is as per the specification requested, endorse the delivery note or invoice and forward it to the Creditors Office for payment. If not satisfied delivery of the asset is rejected and returned.
- The Asset Division barcodes the asset, updates the Asset Register and transfer the Asset to the user department.

- The Asset Division ensures that the Insurers provides immediate insurance cover for the asset.
- The recipient's asset inventory list is updated and a signed copy be kept by the Assets Division.
- The invoice should be endorsed with the bar code number before payment can be made to the supplier.
- The Assets Division conducts a monthly verification report to the CFO on asset movements. The report must also include the following:
 - Donations.
 - Loss or damage.
 - Transfers.
 - Write-offs.
 - Additions.
 - Depreciation

Immoveable Assets

The user/user department shall submit a request for acquisition of an asset to the Supply Chain Division. The Supply Chain Manager shall confirm with the Asset Manager that the acquisition is in line with the Asset Management Plan. The Supply Chain Manager will then proceed with the acquisition in accordance with the Council's Supply Chain Management Policy and Manual and Procedures. This user department together with the technical department shall be responsible for the specification, monitoring and inspection of construction of the asset.

Progress certificates shall be provided to the Asset division on a monthly basis for purposes of updating the Fixed Assets Register during the construction stage of the Asset. Once the construction is complete, a copy of the completion certificate shall be provided to the Asset Management Division for inclusion in the Fixed Asset Register.

The Assets Manager shall ensure through confirmation of a budget stamp that:

- At all times that there are enough funds in the budget before approval of any requisitions for both moveable and immoveable assets.
- That the correct vote and descriptions are being used before authorization of the requisition.

5.4 Methodology of Valuation of Assets

The municipality may consider the following methods of valuation when updating the asset register:

Historical Depreciable Net Book Value Calculation

The starting point will be to determine a depreciable net (historical) book value of an asset and adjust this to reflect

- its current market price or *
- its current replacement cost

The asset record should reflect what has been spent on an asset (i.e. historical records) in terms of

- The original cost of buying or constructing the asset;
- Any maintenance cost to date; and
- Any improvements or additions to the asset to date.

This analysis will help the municipality determine whether for example assumptions relating to the life of the asset are still applicable. Lack of maintenance might mean adjusting the original life of the asset and this would affect the future depreciation and depreciable net book value of the asset.

Any additional maintenance or improvements might lengthen the original life of the asset, and therefore, the future depreciation calculations would have to reflect this.

Proxy Method

In the case of the municipality, this method might be useful if some historical data is not available. The idea is to base the value of the asset on a similar asset as maintained by the municipality or another utility if such other utility has been keeping proper records. The adoption of the proxy method entails benchmarking against a similar asset as maintained by complete records.

Replacement Cost Method

In rare circumstances and should historical figures not be available, the municipality may have to resort to valuing an asset based on what it would take to buy or construct a similar asset. This method might work for some assets such as buildings if the methodology to construct a dam has remained almost the same except for prices of material such as cement. It is, therefore, highly unlikely that Replacement Cost Method would be used in this regard though it is very important to reflect it.

Market Value of an Asset

Buildings or any other assets that have a market value will be valued at market values if such value differs significantly from the depreciable historical net book value.

5.5 Disposal of Assets

All assets are to be disposed of in one of the following ways:

Asset Management Policy	Link to Supply Chain Management Policy (Disposal Management)
1. By dumping at a landfill site after approval by Council concerned if the item is damaged beyond repair	<ul style="list-style-type: none"> • Destroying the asset
2. Public tender for the disposal of property or letting of assets (including unserviceable, redundant or obsolete assets subject to section 14 and 90 of the MFMA) after approval by Council	<ul style="list-style-type: none"> • Selling the asset
3. Auctioning after approval by Council	<ul style="list-style-type: none"> • Selling the asset
4. Donation after approval by Council	<ul style="list-style-type: none"> • Transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets • Transferring the asset to another organ of state at market related value or, when appropriate, free of charge

The Manager: Assets in conjunction with the Supply Chain Manager should direct the disposal process.

Regards must be had for the following provisions of the Municipal Finance Management Act requirements for the disposal of capital assets

The **disposal of capital assets**, in terms of section 14 of Municipal Finance Management Act (No. 56 of 2003), specify the following requirements:

- 1) Capital assets needed to provide the minimum level of basic municipal services may not be disposed of.
- 2) Capital assets (other than those mentioned in 1) may only be disposed of after the municipal council in a meeting open to the public:
 - a. Has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal service, and
 - b. Has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.
- 3) Any decision made by the municipal council that the specific capital asset is not needed to provide the minimum level of basic municipal service may not be reversed by the municipality after the asset has been disposed of.
- 4) The municipal council may delegate its power to make the decision in 2(a) and (b) for movable capital assets to the MM subject to limits (e.g. R5 000) prescribed by the municipal council.

- 5) Any transfer of ownership (disposal) must be fair, equitable, transparent, competitive and consistent with the supply chain management policy.
- 6) The above does not apply to transfers of capital assets to another municipality, municipal entity, national or provincial organ of state provided that the transfers are in accordance with the prescribed framework.

Disposal procedures

The following procedure for disposing of an asset must be followed:

Disposal Procedure	Applicable to
<ul style="list-style-type: none"> • The Assets Division identifies the asset(s) to be disposed of (obsolete, redundant, damaged beyond repair, etc.) and recommends to the CFO to submit the list to the Accounting Officer for disposal. 	All
<ul style="list-style-type: none"> • The Accounting Officer should inspect/delegate the inspection of the redundant items and provide recommendations to Council to approve the disposal. 	All
<ul style="list-style-type: none"> • The Council approves the disposal and write-off of the concerned items from the asset register. 	All
<ul style="list-style-type: none"> • The asset disposal form must be attached to a memorandum signed by the Accounting Officer and forwarded to Budget and Treasury for processing. 	All
<ul style="list-style-type: none"> • Manager Assets consider the means of disposal and recommend method for approval by the CFO. 	All
<ul style="list-style-type: none"> • If the method of disposal approved by the CFO is donation or dumping, identified beneficiaries shall be informed to come select the items to be donated. Items not selected for donation shall be dumped at the landfill site. 	Disposal of unserviceable, redundant, obsolete and damaged assets by donation/dumping.
<ul style="list-style-type: none"> • If the method of disposal approved by the CFO auction, a public notice in the local newspaper is made inviting the public to the auction. 	Disposal by auction
<ul style="list-style-type: none"> • If deemed necessary the Supply Chain processes shall be followed to appoint an Auctioneer. 	Disposal by auction
<ul style="list-style-type: none"> • If disposal of unserviceable, redundant, obsolete and damaged assets by donation or sale is deemed impossible due to the nature of the assets or the extent of the damage/redundancy of the concerned assets, the assets may be dumped at a landfill site. 	Dumping at a landfill site

Beneficiaries to be invited for donation shall be identified Manager: Assets from non-profit organisations within the borders of the municipality.

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The following additional disposal procedures shall apply in the case of land and buildings.

Land and Buildings shall be auctioned at the reserved prevailing market prices as indicated by the valuers at the time of disposal.

The Council shall give fourteen (14) days' notice in the newspaper circulating within its area. Notice shall be both in English and North Sotho. Such notice shall also be affixed to all Notice Boards at the Council's office and website.

Council may resolve to donate any of its assets to organisations / individuals and persons within its area of jurisdiction.

5.6 Transfers/movement of assets

The HOD's shall approve all asset movements, which relate to the transfer of assets from one department to the other or within the department.

When a directorate or department transfers an asset or an inventory item interdepartmentally or within its department, the Asset Transfer Form (**see appendices**) must be forwarded to the Assets division for authorization of the movement. A signed copy of this form is to remain with the Asset Division for the update of the asset register.

Where a department no longer requires the use of an asset it should be transferred to the Asset Division's safe house for storage until it is required by another department. The Asset Transfer Form must be completed and forwarded to the Asset Division.

A signed Asset Transfer Form must be obtained from the Asset Division by the department/division transferring the asset and returned by the department/location receiving the asset to the Assets Division after satisfying themselves that the asset is in good working condition.

No asset of the municipality is to be removed from its location without an Asset Transfer Form signed by an Asset Division staff. Security at all Municipal entry points are to be informed that all Municipal Assets leaving or entering municipal premises are accompanied by a duly completed Asset Transfer Form signed by the Asset Division.

5.7 Resignations

At the resignation of an employee the applicable Director or his/her duly delegated representative must complete the relevant asset form and forward it to the Human Resources Department for their further attention. This form is a statement that the inventory and asset items entrusted to the employee to execute his/her daily duties are in good order and handed in where necessary (refer to **Asset Clearance Form in Appendices**).

5.8 Identification of Assets

The following applies relating to the identification of assets:

- The MM is responsible for ensuring that the municipality maintains an asset identification system.
- The fixed asset identification system should operate in conjunction with the asset register.
- The MM in consultation with the CFO and manager: Assets should prescribe the identification system.
- The identification system should comply with any legal prescriptions and recommendations of the Auditor-General.
- The CFO and Manager: Assets should ensure that the asset identification system is applied.

5.9 Verification of Assets

Listing of assets

The Assets Division must distribute to each Asset Custodian an asset register/listing of all assets under his/her custodianship. All assets must be recorded on the standard Asset Record form, which shall be used for reporting purposes and updating asset register.

The Assets Division shall:

- Perform monthly counts of all municipal assets.
- Provide the CFO with a monthly report on movements, condition and status of all Assets belonging to the municipality.
- Ensure that the existence of items recorded on the inventory lists is verified and any amendments which are made to the Asset record form are processed in the Asset Register.
- In consultation with the CFO, ensure that the asset register of the Council is reconciled with the trial balance of the Municipality on a monthly basis.

Listing of assets

Every employee shall:

- Report the presence of personal assets that are kept in their offices for personal use to the Asset division.
- Complete a Personal Asset Declaration form (**see appendices**) and submit the form to assets division.
- This clause does not apply to cosmetic products, items that are regularly carried in handbags/pockets by all employees such as cellphones. However the discretion of whether an item must be declared or not remains with the Manager: Assets.

5.10 Safekeeping of Assets

Every Custodian shall be directly responsible for the physical safekeeping of any asset controlled or used by the department/office in question.

In exercising this responsibility, every Custodian shall adhere to any written directives issued by the Manager: Assets to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's assets.

In addition, any visitors to a department/office shall be accompanied by an employee of the department.

5.11 Alienation of Assets

Every HOD shall inform in writing the Manager: Assets on 31 November and 30 April of each financial year on all assets controlled or used by the department concerned which such HOD wishes to alienate by public auction or public tender.

The Manager: Assets shall consolidate the requests received from the departments and promptly report such consolidated information to the CFO or the Municipal Manager of the municipality, as the case may be recommending the process of alienation to be adopted.

The Council delegates to the Municipal Manager the authority to approve the alienation of any asset with a carrying value less than R 5000-00 (five thousand rand).

The Council shall ensure that the alienation of any asset with a carrying value equal to or in excess of R5000-00 (five thousands rand) takes place in compliance with Section 14 of the MFMA.

Once the assets are alienated, the CFO may delete the relevant records from the asset register.

If the proceeds of the alienation are less than the carrying value recorded in the asset register, such difference shall be recognised as a loss in the Statement of Financial Performance of the department or vote concerned. If the proceeds of the alienation, on the other hand, are more than the carrying value of the asset concerned, the difference shall be recognised as a gain in the Statement of Financial Performance of the department or vote concerned.

Transfer of assets to other municipalities, municipal entities (whether or not under the municipality's sole or partial control) or other organs of state shall take place in accordance with the above procedures, except that the process of alienation shall be by private treaty.

5.12 Reporting Write-Offs of Assets

All assets to be written off are to be reported to Council for approval.

Loss, theft, destruction, or impairment

Every Custodian shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by his/her department is promptly reported in writing (refer to **section 6.5**) to the Manager: Assets, and -- in cases of suspected theft or malicious damage -- also to the South African Police Service. The Manager: Assets shall promptly report to the CFO in writing the above events and follow the necessary steps to claim the loss from the insurer.

Other write-offs

A fully depreciated fixed asset shall be written off only on the recommendation of the Manager: Assets, and with the approval of the user of the asset.

The Manager: Assets shall report to the CFO after every verification on any assets which have to be written off, stating in full the reason for such recommendation. The CFO shall consolidate all such reports, and shall submit a recommendation to the Council of the municipality on the assets to be written off.

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

In every instance where a not fully depreciated fixed asset is written off, the CFO shall immediately debit to such department or vote, as additional expenses, the full carrying value of the asset concerned.

5.13 Maintenance

General maintenance

The Assets Manager shall be directly responsible for ensuring that ***all assets (other than infrastructure assets which are dealt with below)*** are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

Planned Maintenance

The CFO shall ensure that an Asset Management Plan in respect of every new ***infrastructure asset*** with a value of R50 000 (fifty thousand rand) or more is promptly prepared and submitted to the Council of the municipality for approval.

The MM may direct that the maintenance plan be submitted to the Council prior to any approval for the acquisition or construction of infrastructure asset concerned.

Annual reports should be submitted by the CFO's to the Council each year on the progress in complying with the maintenance plan. The effect of any non-compliance on the useful operating life of the asset should also be reported.

The Manager: Assets is responsible for the implementation of the maintenance plan and shall report to the CFO on a monthly basis on the progress thereof. The Manager: Assets may commission other departments (e.g. Technical Department) to assist with the implementation of the maintenance plan.

If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan, the CFO shall report such extra expenses to council for noting and a possible request for adjustment of the budget.

Unplanned maintenance/repairs

Every Custodian shall ensure that any incident of material impairment to any fixed asset of the Municipality used by their department is promptly reported to the Manager: Assets. The Manager: Assets shall promptly follow the necessary steps to claim the loss from the insurer and/or effect repairs to the Asset.

The Manager: Assets may seek assistance from other departments (e.g. technical) in order to assess the loss/damage and/or to effect the repairs. Where such assistance is sought by

the Manager: Assets, such other department(s) shall promptly offer such assistance without reserve.

Subsequent to repairs on any fixed asset, the Manager: Assets shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the HOD using the asset, and shall recalculate the annual depreciation expense accordingly.

Repairs and Maintenance on infrastructure assets

Technical Services shall be responsible for repairs and maintenance of roads and stormwater assets, Highmast lights, streetlights and any other infrastructure that the Assets Manager may commission for repairs and/or maintenance

Reports for all repairs and/or maintenance carried out shall be prepared on a monthly basis by the responsible division (e.g. roads and stormwater, infrastructure development, etc.) and submitted to the Assets Manager on or before the 7th of each month.

Subsequent to repairs on any fixed asset, the Manager: Assets shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the HOD using the asset, and shall recalculate the annual depreciation expense accordingly.

5.14 Private Use of Municipal Assets

Each department should ensure that the removal of assets from municipal premises is monitored. Temporary Asset Removal Form should be completed and authorised by the HOD each time any asset is removed from municipal premises for private use. Items that are regularly used by employees when performing their duties, e.g. laptops, cameras, calculators, tape recorders, two way radios, guns, and other similar items are exempted from this requirement.

5.15 Replacement Norms

The replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items shall be provided for in the Asset Management Plan. The replacement of assets which are required for service delivery but which have become uneconomical to maintain shall also be considered in the Asset Management Plan.

5.16 Insurance of Assets

All assets shall be insured as agreed with the Insurance Brokers/Insurance company. The MM should ensure that all assets are insured. The CFO should recommend the basis of insurance to be applied to each type of fixed asset (e.g. carrying value or replacement value).

For all assets acquired, the Manager: Asset should notify the Insurance brokers/ company on delivery to provide immediate cover. It is the responsibility of the Manager: Assets to ensure that all new assets have been covered by insurance before they are issued for use by the respective department.

The CFO shall, in conjunction with the HOD of the user department, consider whether all assets require insurance and where insurance is deemed undesirable and/or unaffordable for particular assets, seek Council approval to exclude such assets from the insurance portfolio.

5.17 Fleet Management

The management of Fleet Assets (Council's vehicles, plant and earth moving equipment as

defined) shall be in terms of the "Fleet Management Policy." The Fleet Management Office shall provide a report to the Manager: Assets as to the condition, status and maintenance/repairs requirements of all fleet on a monthly basis for inclusion in the Assets Reports (see 5.9)

5.18 Disposal of Firearms

The procedures for the legal disposing of firearms in terms of the Firearms Control Act of 2000 are not included in this policy. The Chief Traffic Officer shall be engaged to facilitate any process dealing with firearms.

5.19 Biological Assets

If any biological asset is lost, stolen or destroyed, the matter – if material – shall be reported to the Manager Assets in exactly the same manner as though the asset were an ordinary asset.

Records of the details of biological assets shall be kept in a separate section of the asset register or in a separate asset register altogether and such details shall reflect the information which the CFO, in consultation with the Manager: Assets, deems necessary for accounting and control purposes.

6. POLICY ADOPTION

This policy has been considered and approved by the Council of Fetakgomo/Greater Tubatse Local Municipality on this day _____ at _____

APPENDICES

A. Useful lives of Assets

The useful life of infrastructure-, buildings, 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 no way to determine the lifespan of painting or statue etc.

Useful lives - Estimated useful lives per category of asset are as follows:

CATEGORY	USEFUL LIFE
<p><u>Infrastructure Assets:</u></p> <p>Electricity Highmast lights Meters Load Control Equipment Switchgear Equipment Supply/reticulation Mains</p>	<p>15-30 years 15-25 years 20-30 years 20-30 years 20-30 years 20-30 years</p>
<p>Roads Motorways Other Roads Traffic signage and markings Traffic Lights Street Lighting Overhead Bridges Storm Water Drains Bridges, Subway & Culverts Car Parks Bus Terminals</p>	<p>15-30 years 10-30 years 2-10 years 5-25 years 10-30 years 10-30 years 10-30 years 10-30 years 10-20 years 5-20 years</p>
<p><u>Community Assets</u></p> <p>Buildings: Ambulance Stations</p>	<p>10-30 years</p>

Cemeteries Community Centres/halls Traffic Stations Indoor Sport stadiums Parks Recreation Centres Stadiums Taxi Ranks Office Buildings	3-30 years 10-30 years 5-30 10-30 years 5-30 years 5-30 years 5-30 years 10-30 years 5-30 years
<u>Recreational Assets:</u> Facilities: Netball/Tennis Courts Swimming Pool Golf Course Outdoor Sport Facilities Fountains Floodlighting Soccer Field	5-20 years 5-20 years 5-20 years 5-20 years 5-25 years 5-30 years 5-20 years
<u>Security Measures:</u> Fencing Security Systems Access Control	3-10 years 3-15 years 3-15 years
Office Equipment: Computer Hardware Computer Software Office Machines Air Conditioners Photocopy Machines Faxes	3-20 years 3-20 years 3-20 years 3-30years 3-20 years 3-15 years
Furniture and Fittings: Chairs Tables Desks Cabinets Cupboards Fire Cabinets Miscellaneous	4-20 years 4-20 years 4-20 years 4-20 years 4-20 years 4-20 years 4-20 years
Bins and Containers: Bulk Containers	3-15years

TM

CATEGORY	USEFUL LIFE
Motor Vehicles: Fire Engines Motor Vehicles Motor Cycles Trucks	5-25 years 5-15 years 5-25years 5-25 years
Plant and Equipment: Graders Tractors Mechanical Horses Lawnmowers Brush Cutters Compressors Radio Equipment Fire Arms Telecommunication Equipment Tippers Other Office Equipment	5-25 years 5-25 years 5-25 years 2-15 years 2-15 years 2-15 years 3-15 years 5-50 years 5-15 years 5-25 years 2-30 years

B. Asset Disposal Form

ASSET DISPOSAL FORM

Date requested	
Department	
Asset barcode	
Asset description	
Asset location	
Classification of asset	
Suggested method of disposal	
Condition of asset	
Reason for request for disposal	
Requested by (Name):	
Name and surname	
Signature	
Date	
Requested by (Title):	
Name and surname	
Signature	
Date	
Approved/disposed by (Name):	
Name and surname	
Signature	
Date	

JM

C. Asset Transfer Form

ASSET TRANSFER FORM

Date requested	
Asset barcode	
Asset description	
Classification of asset	
Reason for transfer	
Condition of asset	
Current location	<i>Approval for the transfer of asset</i>
Department/location	
Name of building	
Floor number	
Room number	
Room barcode	
User	
Transferring official	
Signature	
New location	<i>Verifying and receiving of asset</i>
Department/location	
Name of building	
Floor number	
Room number	
Room barcode	
User	
Receiving official	
Signature	
Assets Division Authorisation	
Name and Surname	
Date Authorised	

D. Specimen Asset Clearance Form

ASSET CLEARANCE FORM

Inventory items:

Movable Assets

Resigning Official:

Name and Surname

Signature

Date

HOD:

Name and Surname

Signature

Date

TN

E. Temporary Asset Removal form

TEMPORARY ASSET REMOVAL FORM

Date requested	
Department	
Asset barcode	
Asset description	
Asset location	
Classification of asset	
Reason for temporary removal	
<i>Condition on removal</i>	
Date to be returned	
Date returned	
<i>Condition on returning</i>	
Requesting official	
Name and surname	
Position	
Signature	
Date	
Asset Management Authorisation	
Name and surname	
Position	
Signature	
Date	

F. Personal Asset Declaration Form

PERSONAL ASSET DECLARATION FORM

Asset Description _____
Serial number/Barcode _____
Name of User _____
Asset Location _____
Room/Floor number _____
Reason for Bringing the Asset onto the Premises _____

Estimated Removal date ___/___/___

Owner Details

Name and Surname _____

Address _____

Signature _____

Date ___/___/___

DECLARATION: I, the owner agree not to hold the Municipality liable for any theft, loss or damage incurred relating to the use of the abovementioned asset.

Asset Division

Name and Surname _____

Signature _____

Date ___/___/___

DECLARATION: I, the Manager: Assets, agree that the Municipality is not the owner of the abovementioned asset.

TH

G. Asset record form

ASSET RECORD FORM

BUILDING NAME _____
FLOOR NUMBER _____
OFFICE NUMBER _____
OFFICE BARCODE _____

I, _____ WILL KEEP THE ASSETS REFLECTED ON **THE ATTACHED PAGE** SAFE AND REPORT TO ASSET OFFICE ANY LOSS, DAMAGE OR MOVEMENT IF ANY. I FURTHER AGREE AND UNDERSTAND THAT REMOVAL OR FAILURE TO REPORT ANY SUCH REMOVAL EFFECTED BY ANY PERSON OF ANY ASSETS LISTED ON THE ATTACHED PAGE WITHOUT COMPLETION OF THE ASSET TRANSFER FORM DULY AUTHORISED BY THE ASSET DIVISION IS A CONTRAVENTION OF AN APPROVED POLICY OF THE COUNCIL AND MAY LEAD TO DISCIPLINARY ACTION AGAINST THE PERPETRATOR.

ASSET HOLDER	_____	
SIGNATURE	_____	DATE
	____/____/____	
ASSET OFFICER	_____	
SIGNATURE	_____	DATE
	____/____/____	

BUDGET POLICY



The **GTM**
**GREATER TUBATSE
MUNICIPALITY**

South Africa's first democratic platinum city



FETAKGOMO/TUBATSE MUNICIPALITY LIM476

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DEFINITIONS

“Accounting Officer”

Means the municipal manager;

“**Allocation**”, means-

- a) A municipality's share of the local government's equitable share referred to in section 214(i)(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 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-
Approved by a municipal council, or Includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Services" 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 an annual budget of the municipality, including-

- a) The tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- b) The rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- c) The credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

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

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

"Chief Financial Officer" means a person designated in terms of section 80(2) 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 financial year, which has already commenced, but not yet ended;

"Delegations" 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 statement that may be prescribed; and
- e) Any notes to these statements;

“Financial year” means a twelve months period commencing on 1 July and ending on 30 June each year.

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

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

“Irregular expenditure” means-

- a) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- b) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems act, and which has not been condoned in terms of that Act;
- c) Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act, 1998 (Act No.20 of 1998); or
- d) Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy. And expenditure by a municipality which falls within the definition of unauthorised expenditure”;

“Investment” in relation to funds of 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 Local Government: Municipal Systems Act, 2000 (Act No, 32 of 2000)

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

"Mayor" means the councillor in terms of the Municipal Structures Act;

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

"Municipal debt instrument" means any note, bond; debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

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

"Municipality"

- a) When referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- b) When referred to as a geographic area, means a municipal area in terms of the Local Government: Municipal Demarcation Act, 1998(Act No.27 of 1998);

"Accounting officer" means a person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act;

"Head" in relation to the Municipality Finance Recovery Service, means a person-

- (a) Appointed in terms of section 159 as Head of Service; or
- (b) Acting as the Head of the Service;

“Municipal service” has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to 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-

An employee of a municipality or municipal entity;

- a) A person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- b) 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 sub section (5) of this section;

“Past financial year” means the financial 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

d) 1 April to 30 June

"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) of the MFMA for implementing the municipality's service delivery of municipal services and its annual budget, and which must indicate-

Projections for each month of

- a) Revenue to be collected, by source; and
- b) Operational and capital expenditure, by vote;
- c) Service delivery targets and performance indicators for each quarter; and
- d) Any other matters that may be prescribed, and includes any revisions of each plan by the mayor in terms of section 54(1) (c) of the MFMA;

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

"Standard of generally accepted recognised accounting practice" means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standard 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 for a vote in the municipality's approved budget;
- b) Overspending of the total amount appropriated for a vote in the approved budget
- c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or
- f) A grant by the municipality otherwise than in accordance with the MFMA;

"Virement" means transfer of funds between functions/ votes

"Vote" means-

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

1) INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states 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 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, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise 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 conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

This policy framework shall be read in the context of the provisions of the following Acts, Regulations and Administrative Guidelines:

- a) MFMA Circulars
- b) MFMA, Act 56 of 2003

- c) Municipal Budget and Reporting Regulations, Government Gazette No 32141 dated 17 April 2009

2) OBJECTIVE OF THE POLICY

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 mayor , the accounting officer , the chief financial officer and other senior managers in compiling the budget
- c) To establish and maintain procedures to ensure adherence Fetakgomo/ Greater Tubatse Municipality's IDP review and budget processes.

3) QAULITY CERTIFICATION

- a) Whenever an annual budget and supporting documentation, an adjustment budget and supporting documentation of an in-year report of the municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A,B or C as the may be, and signed by the municipal manager.

4) BUDGETING PRINCIPLES

- a) The Budget and Budget Preparation process shall comply with the requirements of the Municipal Finance Management Act of 2003 and nothing contained in this policy shall contradict the said legislation.
- b) 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.

- c) 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.
- d) Fetakgomo/ Greater Tubatse Local Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF) and that be reviewed annually and approved by Council.
- e) The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

(5) BUDGET PREPARATION PROCESS

5.1) Formulation of the Budget

- a) The Municipal Manager with the assistance of the Chief Financial Officer and the head of department responsible for IDP shall draft the IDP/Budget process plan as well as the budget timetable for the municipality for the ensuing financial year.
- b) The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year). The IDP/Budget timetable shall contain key deadlines for:
 - I. The annual review of the IDP
 - II. The review of budget related policies
 - III. The preparation, tabling and approval of the annual budget
 - IV. Heads of Departments shall ensure that they meet the deadline as set out in the IDP/Budget timetable.
- The IDP/Budget steering Committee shall give general direction to the IDP/Budget process and indicate affordable budget growth and envisaged tariffs increases as the baseline of the budget process.
- The mayor shall convene a strategic workshop in with the executive committee and senior managers in order to determine the IDP priorities which will form the basis for

the preparation of the MTREF budget taking into account the financial pressure facing the municipality. The mayor shall table the IDP priorities with the draft budget to Council.

- The Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolution and budget related policies (policies on tariff setting , credit control, debt collection, indigents, investment and cash management borrowing, etc):
- The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- The budget must be in the prescribed format, and must be divided into capital and operating budget.
- The budget must reflect the realistically expected revenues by major source for the budget year concerned.
- The expenses reflected in the budget must be divided into items.
- The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

5.2) Public participation process

- a) Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to make representations at the council hearing and to submit comments in response to the draft budget.

5.3) Approval of the budget

- b) 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).
- c) The council resolution, must contain budget policies and performance measures be adopted.
- d) Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for finance that the budget has not been approved.
- e) The budget tabled to Council for approval shall include the following supporting documents:

Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the year concerned;

- I. Draft resolutions;
- 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;
- 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 seniors managers;
- VII. Particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Government Organisations , welfare institutions and so on;
- VIII. Particulars of the municipality's investments; and
- IX. Various information regarding to municipal entities under the shared or sole control of the municipality.

5.4) Publication of the budget

- a) Within 14 days after the draft annual budget has been tabled, the Manager Corporate services must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury.
- b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

5.5 Service Delivery and Budget Implementation Plan (SDBIP)

- a) The 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. Quarterly projections of service delivery targets and performance indicators for each vote
 - IV. Ward information for expenditure and service delivery
 - V. Detailed capital works plan broken down by ward over three years

6. CAPITAL BUDGET

- 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 its value exceeds R10 000 and has a useful life in excess of one year.
- b) Vehicle replacement shall be done in terms of Council's vehicle replacements policy. The budget for vehicle shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
- c) A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
- d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
- e) 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,
 - II. Future operational costs and any revenues, which may arise in respect such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- f) Before approving the capital budget, the council shall consider:
- I. The impact on the present and future operating budgets of the municipality in relation to finance charges to be 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.
 - g) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.
 - h) The capital expenditure shall be funded from the following sources:

6.1) Revenue or Surplus

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

6.2) External loans

- a) External loans can be raised only if it is linked to the financing of an asset ;
- b) A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured.
- c) The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- d) Interest payable on external loans shall be included as a cost in the revenue budget;
- e) Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

6.3) Capital Replacement Reserve (CRR)

- a) Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:
- b) Appropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- c) Interest on the investments of the CRR, appropriated in terms of the investments policy;
- d) Additional amounts appropriated as contributions in each annual or
- e) adjustments budget; and
- f) Sale of land and profit or loss on the sale of assets.
- g) Before any asset can be financed from the CRR the financing must be available within the reverse and available as cash as this fund must be cash backed;
- h) If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
- i) Transfers to the CRR must be budgeted for in the cash budget;

6.4) Grant Funding

- a) Non capital expenditure funded form grants
- b) Must be budgeted for as part of the revenue budget ;
- c) Expenditure must be reimbursed from the funding creditor and transferred to
- d) The operating must be budgeted for as such.
- e) Capital expenditure must be budgeted for in the capital budget;
- f) Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund.
- g) If there is no condition stated the interest can then be allocated directly to the revenue accounts.
- h) Grant funding does not need to be cash backed but cash should be secured before Spending can take place.

7. OPERATING BUDGET

- a) The municipality shall budget in each annual and adjustments budget for the Contribution to:
- I. Provision for accrued leave entitlements equal to 100% of the accrued leave
 - II. Entitlement of officials as at 30 June of each financial year,
 - III. Provision for bad debts in accordance with its rate and tariffs policies
 - IV. Provision for obsolescence and deterioration of stock in accordance with its stores management policy
 - V. Depreciation and finance charges shall be charged to or Apportioned only between the departments or votes to which the projects relate.
 - VI. At least 8% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
- b) When considering the draft annual budget , council shall consider the impact, Of the proposed increases in rates and services tariffs will have on the monthly municipal accounts of households.
- c) The impact of such increases 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 chief financial officer shall ensure that the cost of indigence relief is separately reflected in the appropriate votes.

8. FUNDING OF CAPITAL AND OPERATING BUDGET

- a. The annual budget may be financed only from:
- I. Realistically expected revenues, based on current and previous collection levels;

- II. Cash-backed funds available from previous surpluses where such funds are not
- III. required for other purposes; and
- IV. Borrowed funds in respect of the capital budget only.

9. 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 expect for funds relating to capital expenditure.
- b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded 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) Application for roll over of funds shall be forwarded to the budget office by the 15th of April each year to be included in next year's budget for adoption by council in May.
- e) Adjustments to the rolled over budget shall be done during the 1st budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- f) No funding for projects funded from the capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.
- g) No unspent operating budget shall be rolled over to the next budget year

10. BUDGET TRANSFERS AND VIREMENTS

- a. Budget transfers within the same vote shall be requested by the Director responsible, recommended by the Chief Financial Officer or such senior delegated official in the Budget and Treasury Department and approved by the Municipal Manager.
- b. No budget transfers or virement shall be made to or from salaries except with prior approval of the Chief Financial Officer in consultation with the Director Corporate Services.
- c. In case of emergencies situations virements shall be submitted by the Municipal Manager to the Mayor for authorization and be reported by the Mayor to Council at its next meeting.
- d. The personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- e. Virements are not permitted in relation to the revenue side of the budget;
- f. Budget amendments and virement from capita; budgets to operating budget is not allowed.
- g. Virement towards personnel expenditure are not permitted; however virement within personnel expenditure are allowed.
- h. Budget transfers or virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e. the management of central insurance funds and insurance claims from separate votes.
- i. Virements to or from the following items shall not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT.
- j. Virements shall not result in adding new projects to the capital budget;
- k. Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework shall not be permitted
- l. Directors may utilize a saving in the amount appropriated under a main expenditure category (e.g. Salaries, General Expenses, Repairs & Maintenance, etc) within a vote

which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial Officer or such senior delegated official in the Budget & Treasury Department.

- m. The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed five per cent of the amount appropriated under that main expenditure category.
- n. Savings on allocation earmarked for specific operating and capital projects may not be transferred for other purposes except with the approval of the council.
- o. The amount of savings under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten percent of the amount appropriated under that main expenditure category.
- p. Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- q. Virements between votes other than those indicated above shall be included in the adjustment budget.
- r. A quarterly report, indicating all virements affected have to be compiled and submitted to council.

11. ADJUSTMENT BUDGET

Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

- 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 mayor, are aligned with the IDP, and comply with all budget-related policies, and shall

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

- b) Council may revise its annual budget by means of an adjustments budget at most three times a year or a regulated.
- c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under –collection of revenues arises or is apparent.
- d) 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.
- e) The council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.
- f) 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.
- g) Only the Mayor shall table an adjustments budget. Adjustments budget shall be done at most three times a year after the end of each quarter and be submitted to council in the following months:
 - i. In October – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,
 - ii. February – to make into account recommendations from the mid-year budget and performance report tabled to council in January that affect the annual budget
 - iii. May – final budget adjustment to adjust current year's budget in cases where there is an indication that there will be rolling over of funding to the next financial year.

- h) 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 materials adjustments; and
 - iii. An explanation of the impact of any increases spending on the current and future annual budget.

- i) Any inappropriate surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.

- j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

- k) Unauthorised expenses may authorise in an adjustments budget.

- l) In regard to unforeseen and unavoidable expenditure, the following apply:
 - i. The mayor may authorise such expenses in an emergency or other exceptional circumstances;
 - ii. The municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses;
 - iii. These expenses must be reported by the mayor to the next Council meeting;
 - iv. The expenses must be appropriated in an adjustments budget; and
 - v. Council must pass the adjustments budget within sixty days after the expenses were incurred.

12. BUDGET IMPLEMENTATION

12.1 Monitoring

- a. The Accounting officer with the assistance of the chief financial officer, other Directors and Line Managers 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 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 impeding overspending, together with the steps taken to prevent or rectify these problems.

12.2 Reporting

12.2.1 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 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 ; and
 - 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.
- b. The report to the National Treasury must be both in electronic format and in a signed Written document.

12.2 Quarterly Reports

- a. The 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.

12.3 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 as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- b. The accounting officer must then submit a report on such assessment to the mayor by 25 January each year and to council, Provincial Treasury and National Treasury by 31 January each year.
- c. The Accounting officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

13) CONCLUSION

The Director Corporate Services must place on the municipality's official website the following:

- a. The annual and adjustments budgets and all budget-related documents;
- b. All budget-related policies;
- c. The integrated development plan;
- d. The annual report;
- e. All performance agreements;
- f. All service delivery agreements;
- g. All long-term borrowing contracts;
- h. All quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the municipality.

14. POLICY AMMENDMENT

No amendments may be made to any section of this without such amendment(s) first being:

- a) Consulted upon with the Chief Financial Officer and the Municipal Managers.
- b) Duly approved and signed by the Council.

VIREMENT POLICY

2016/2017



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1. Background and purpose

- 1.1 Each year, the Municipality produces an annual budget which must be approved by Council. In practice, as the year progresses, circumstances may change so that certain estimates are under-budgeted and others over-budgeted due to unforeseen expenditure (for example, due to the occurrence of disasters or savings). As a result, it becomes necessary transfer funds between votes and line items. It is not practical to refer all transfers between line items within a specific vote to the Council, and as the **Local Government: Municipal Finance management Act ("MFMA")** is largely silent as to such transfers, it is necessary to establish a policy which governs the administrative transfer between line items.
- 1.2 The purpose of this policy is therefore to provide a framework whereby transfers between line items within votes of the operating budget may be performed with the approval of certain officials.

2. Definitions

1. Virement is the process of transferring funds from one line of a budget to another. The term is derived from French word meaning a commercial.
2. Vote: For ease of reference, the definition of "vote" as contained in Section 1 of the MFMA is set out hereunder: "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.*

3. Policy options identification, analysis and assessment

- 3.1 This policy applies only to transfer between line items within votes of the Municipality's operating budget.
- 3.2 Section 28(2) (d) of the MFMA provides that "An adjustments budget- may authorize the utilization of projected savings in one vote towards spending in another vote." Transfer between votes may therefore be authorized only by the Council of the Municipality.
- 3.3 This policy shall not apply to transfers between or from capital projects or items and no such transfers may be performed under this policy.

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3.4 Any deviation from or adjustment to an annual budget or transfers within a budget which is not specifically permitted under this policy or any other policy may not be performed unless approved by the council through an adjustments budget.

4. Authorization of Virements

A transfer of funds from one line to another under this policy may, subject to the provisions of this policy, be authorized as follows:

4.1 If the amount does not exceed R5000.00, the transfer may be authorized by the Budget Specialist or the Specialist: Treasury of the Municipality after consultation with the Manager: budget & Treasury;

4.2 If the amount exceeds R10 000, but does not exceed R30000, the transfer may be authorised by the Manager: Budget and Treasury after consultation with the Chief Financial Officer;

4.3. If the amount exceeds R30, 000.00 but does not exceed R60, 000.00, the transfer may be authorized by the chief financial officer of the Municipality on the recommendation of the municipal manager.

4.4. Notwithstanding the provisions above, a transfer of funds between cost centres within a particular vote may not be authorized by the Chief Financial officer but may only be authorized by Municipal Manager.

5. Limitations on amount of Virement

5.1 Notwithstanding the provisions of section 3:

5.1.1. The total amount transferred from and to line items within a particular vote in any financial year may not exceed 10% of the allocated to that vote;

5.1.2. The total amount transferred from and to line items in the entire budget in any financial year may not exceed 10% of the total operating budget for that year;

5.1.3. The amount of any one transfer of funds between line items may not exceed the sum of R 2 000,000.00.

5.2 A transfer which exceeds, or which would results in the exceeding of, any of the limits referred to in 4.1 above may, however, be performed if the Council, by resolution approves thereof.

6. Virement Permitted only if Savings are projected

A transfer of funds from one line item to another may take place only if savings within the first-mentioned line item are projected, and such transfer may, subject in any event to the provisions of this policy, not exceed the amount of such projected savings.

7. Further Restrictions on Virement

7.1. A transfer of funds between line items shall not be permitted under this policy if the effect thereof would be to:

7.1.1. Contravene any policy of the Municipality; or

7.1.2. Alter the approved outcomes or outputs of an Integrated Development Plan; or

7.1.3. Result in an adjustment to the Service Delivery and Budget Implementation plan.

7.2. If any line item has been specifically ring-fenced, no transfer shall be made under this policy to or from such line item.

7.3. Transfers of funds may not be made under this policy between or from capital items or projects.

7.4. To the extent that it is practical to do so, transfers within the first three months and the last month of the financial year should be avoided.

7.5. By definition, transfers may not be under this policy from a line item administered by one department to a line item administered by another.

7.6. In accordance with Section 30 of the MFMA, no transfer of funds may be made from a line item of a budget for a particular year to a line item of a budget for a subsequent year.

7.7. The transfer of fund in any year in accordance with this policy shall not give rise to any expectations of a similar transfer occurring in a subsequent year.

7.8. The approval of any transfer shall not per se constitute authorization for expenditure, and all expenditure resulting from approved transfers

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must, be carried out in accordance with the Municipality's Supply Chain management Policy

- 7.9. The transfer of funds must in any event not contravene the provisions of paragraph 4.6 of MFMA Circular 51(Municipal Budget Circular for the 2010/2011 MTREF) issued on 19 February 2010, which provides, in part, as follows:
1. Virements should not be permitted in relation to the revenue side of the budget
 2. Virement between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separated votes);
 3. Virements from capital budget to the operating budget should not be permitted;
 4. Virements towards personnel expenditure should not be permitted;
 5. Virements to or from the following items should not be permitted: bulk purchases; debt impairment; interest charge; depreciation; grants to individuals, revenue forgone, insurance and VAT;
 6. Virement should not result in adding new projects to the capital Budget;
 7. Virements of conditional grants funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted.
- Procedure for Virement.
8. **Procedure for Virement**

8.1 Approval for transfer must be made by the Executive Manager of the concerned department.

8.2 The Budget Office shall prescribe a form on which all proposals for transfer of funds under this policy shall be made, which form shall include, but not be limited to, provisions for the following:

- 8.2.1 The name of the department concerned;
- 8.2.2 Descriptions of the line items from and to which the transfer is to be made;
- 8.2.3 The amount of the proposed transfer;
- 8.2.4 The cause of the saving in the line item from which the transfer is to be made;
- 8.2.5 The Justification or motivation for the transfer;

8.2.6 A description of any consequences that such transfer may have for the integrated Development plan or the service Delivery and Budget Implementation Plan.

8.3 Each proposal for a transfer shall be submitted by the Director concerned to the Budget Office and if:

8.3.1 The amount of transfer does not exceed the amount referred to in paragraph 3.1 and 3.2, and the transfer is not between cost centres, the Specialist Budget or manager: Budget & Treasury shall:

8.3.1.1 Approve the proposal, or

8.3.1.2 Reject the proposal; or

8.3.1.3 Refer the proposal to the Chief financial Officer for approval or rejection;

8.3.2 The amount of the transfer does not exceed the amount referred to in paragraph 3.3 but the transfer is between cost centres, or if it falls within the range of amounts referred to in paragraph 3.4, the Chief Financial Officer shall refer the proposal to the Municipal Manager who, after consultation with the Chief Financial Officer, shall approve or reject the proposal;

8.4 Upon a proposal for transfer being approved, such transfer shall be implemented subject to compliance with the Municipality's Supply Chain Management Policy.

9. Implementing Strategy

The Municipal manager shall submit a report on all transfers made under this policy to the Mayor every quarter (September; December; March; June).

The municipal Manager shall be responsible for the implementation and administration of this policy.

This policy will be effective on the date of adoption by Council.

10. Policy Evaluation and review

The Municipality would evaluate and review the policy on an annual base and make changes if it is necessary.

FINAL POLICY AND PRINCIPLES ON THE WRITING OFF OF IRRECOVERABLE DEBT



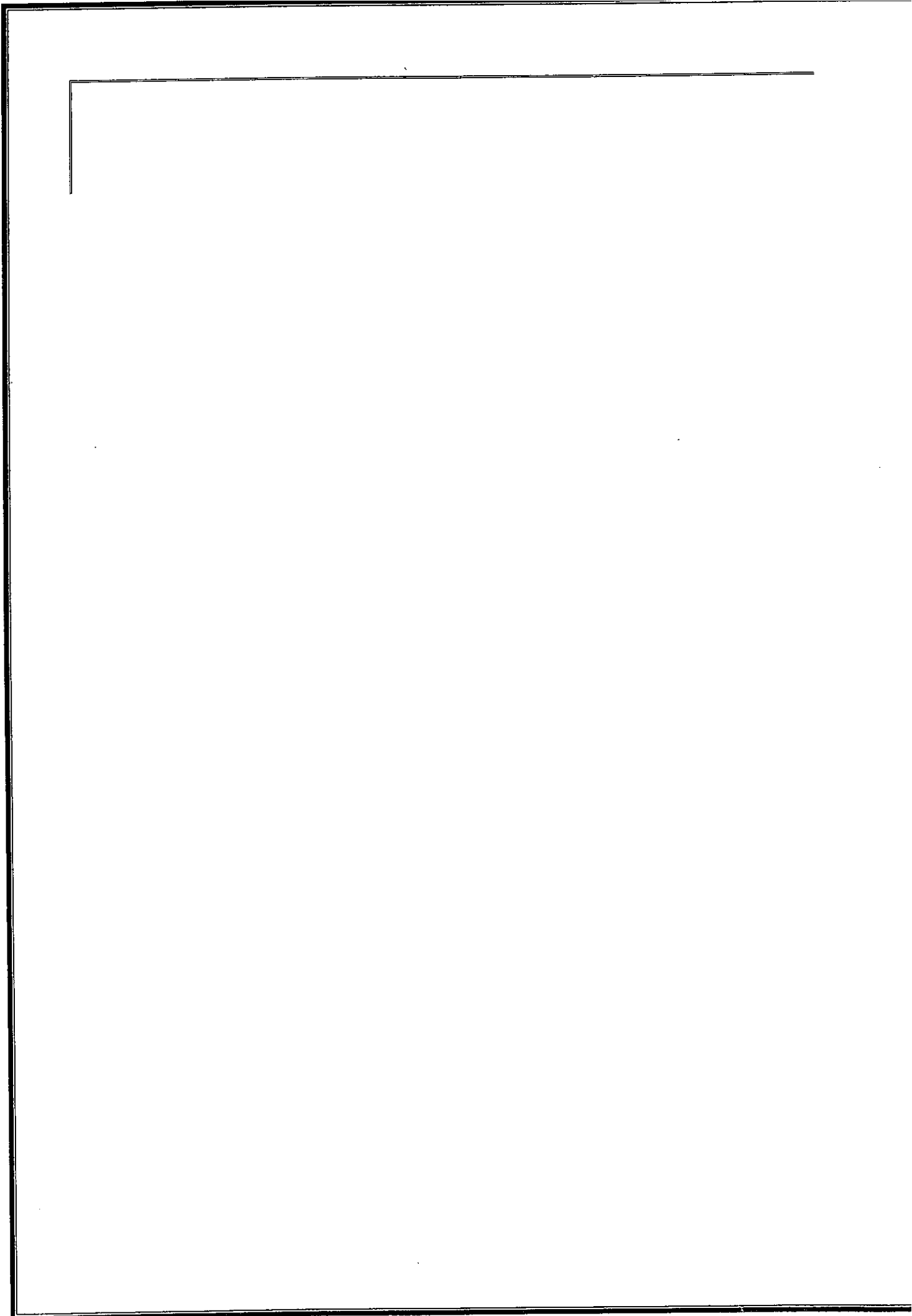
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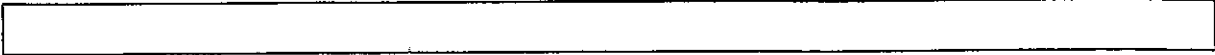
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GREATER TUBATSE LOCAL MUNICIPALITY

PRINCIPLES AND POLICY ON THE WRITING OFF OF IRRECOVERABLE DEBT

1. INTRODUCTION

- 1.1 To ensure 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, the Council of Greater Tubatse Municipality approved a revised Indigent Policy yearly together with the budget

- 1.2 However, 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. The Council approved a revised Credit Control and Debt Collection Policy yearly together with the budget

- 1.3 Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible write-off of irrecoverable debt. To allow this the approved Credit Control Policy, inter alia, stipulated that:-
 - 1.3.1 Par 5 (1) (c) - The Municipal Manager must establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.

- 1.4 In addition, the policy further stipulates that:-
 - 1.4.1 Par 19 (2) - 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. PURPOSE OF THE POLICY

- 2.1 The purpose of this policy is to ensure that the principles and procedures for writing off irrecoverable debt are formalised.

3. RESPONSIBILITY / ACCOUNTABILITY

- 3.1 The Council has the overall responsibility for adopting and approving the Policy on Writing Off of irrecoverable debt.

4. IMPAIRMENT OF DEBTORS

Consumer debtors, long term receivables and other debtors are stated at cost less provision for bad debt. Provision for impairment is made on an individual basis or based on expected payment.

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In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance. The determination of the impairment loss is guided by the following principles as per GRAP 104 :

The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors book are considered to be individually significant by the municipality).

Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:

- debtor type;*
- industry;*
- past due status (e.g. days/months that the accounts are in arrears);*

4.1 Consumer debtors

Consumer debtors are evaluated at the end of the reporting date and impaired as follows:

Category of Debtor		Percentage of debt provided for as irrecoverable
Negative Amounts		0%
Current account		0%
Debt owing between 30 to 90 days		50%
Debt in excess of 90 days		100%
Business and Industrial - always pay		0%
Government Organization		0%
Mines - always pay		0%
Indigent Debtors		100%
Municipal		0%

4.2. Sundry Debtors

Sundry debtors are classified as financial instruments with debit balances at year end. Sundry debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

5. POLICY PRINCIPLES

5.1 The following are 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 Systems Act 2000, as amended and other related legislation.

5.1.2 Before any debt is written off it must be proved 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.

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- 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 Upon approval for registration as an indigent household consumer, the debtor's outstanding balance as at the date of approval is written off
 - 6.1.2. Any new arrears accumulated by the debtor (i.e. any amounts in excess of the indigent allowance for free basic services) whilst registered as an indigent consumer, will not qualify to be written off and must be dealt with strictly in accordance with the Municipality's Credit Control Policy and Indigent Household Policy.

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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.

6.2.2 Where such account is not paid by the respective consumer within a period of hundred and twenty (120) days such amounts will automatically be written off subject to the provisions of Section 6.4 below.

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 subject to the provisions of Section 6.4 and 6.5 below.

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 subject to the provisions of Sections 6.4 and 6.5 below.

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 of not more than 10% of the amount that was collected. 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

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.

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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. However due to the possible inefficiency of the Municipality to implement its credit control policy it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the new owner to pay such an amount in order to obtain a clearance certificate.

6.5.2 Where such circumstances may prevail the prospective new owner may apply to the Municipality for relief of such outstanding debt or a portion thereof.

6.5.3 Upon receiving, such application must be submitted to the committee for consideration. In reviewing such application, the committee must ensure that:-

6.5.3.1 All reasonable measures have already been taken to recover the outstanding amount from the current debtor.

6.5.3.2 The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.

6.5.3.3 It is not in the interest of the municipality and/ or the community to withhold a clearance certificate before the outstanding debt is fully paid.

6.6 Special Incentives introduced by Council for Household Consumers in terms of the Credit Control and Debt Collection Policy

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 In order to determine monthly instalments, a comprehensive statement of assets and liabilities and income and expenditure, must be provided by the debtor and reviewed by a finance official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer (i.e. amount not to exceed 25% of gross income), taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

6.6.3 Due to ineffective 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 off these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the Municipality has resolved to implement special incentives to address the arrear debt.

6.6.4 To encourage consumers to pay off arrear debt Council will write off all outstanding interest at that time on condition that the outstanding capital amount be settled in full

6.6.5 Writing off any debt in terms of such an agreement will be strictly in accordance with the provisions set out in the Municipality's Credit Control and Debt Collection Policy.

6.6.7 As long as the agreement is honoured no further interest will be added. However, in case of default the suspended amount will be reversed and interest will again be levied from the date of default.

6.6.8 Where a debtor pays 100% of the principal portion of his/her arrear account or settles the principal portion of the arrear account in full through a once-off payment, all interest penalties on arrear amounts will be written off immediately.

6.6.9 Where arrangements are made to pay off the principal portion of the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. This arrangement will imply that upon payment of the final instalment all interest on arrear amounts will have been written off.

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6.6.10 Where debtors fail to honour their arrangements without prior consultation interest will be reinstated and added to the original debt amount.

6.6.11 The arrangement referred to in paragraph 6.6.5 may be extended to other Poverty Alleviation & Job Creation Strategies that the Municipality may implement. Such strategies may include:-

6.6.11.1 The casual/contract employment of a debtor in a particular Municipal project (i.e. refuse collection, road maintenance, verge cutting etc.)

6.6.11.2 A 50% cash payment to the debtor and 50% payment that will be credited against the debtor's arrear account.

6.6.11.3 The accounting treatment shall be that the project or programme will be debited (charged) full 100% as this will be the input cost of the labour (100% cost paid out as 50% cash paid to the debtor and 50% credited against the debtor's arrear account as though it were a cash payment).

6.6.12 The purpose of the above strategy/arrangement is to instil a sense of pride to the customers of the Municipality that cannot pay off their arrears, whilst extending services delivery, creating jobs, and alleviating poverty, and at the same time reducing the Debtors Book and enhance the financial status and image of the Municipality.

6.6.13 Any amount to be written off in terms of paragraph 6.6 above must be subject to the provision of Section 7.4 and 7.5 below.

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).

7.2.2 Chief Financial Officer (Alternative Chairperson).

7.2.3 Chairperson of the Portfolio Committee for Finance.

7.2.4 One member of the Portfolio Committee for Finance to be nominated by the Portfolio Committee for Finance.

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.

7.3.1 The quorum for the Committee shall be 50% of the members plus one.

7.3.2 Formal minutes of Committee meetings must be prepared and submitted to Council.

7.4 **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:-**

7.4.1 in the case of a household consumer an amount of R10,000 (excluding interest and penalties) per submission; and

7.4.2 in the case of a business consumer an amount of R20,000 (excluding interest and penalties) per submission.

7.5 Any amount in excess of the delegation provided for in paragraph 7.4 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 any amounts to the **maximum of:-**

7.5.1 in the case of a household consumer an amount of R30,000 (excluding interest and penalties) per submission; and

7.5.2 in the case of a business consumer an amount of R50,000 (excluding interest and penalties) per submission.

7.6 Any amount in excess of the delegation provided for in paragraph 7.5 above may only be reviewed by the Executive Mayor and must be submitted together with a recommendation to Council for consideration.

7.7 All amounts to be written off in terms of Section 7.4 and Section 7.5 above must be considered individually and each case on its own merits must be separately reported to the Committee.

8. IMPLEMENTATION AND REVIEW OF THIS POLICY

8.1 This policy shall be implemented once approved by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.

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PROPERTY RATES POLICY



FETAKGOMO/TUBATSE LOCAL MUNICIPALITY

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GREATER TUBATSE MUNICIPALITY
PROPERTY RATES POLICY

A. INTERPRETATION

Definitions

“Act”, means the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004);

“Agent”, in relation to the owner of a property-

- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
- (b) to make payments in respect of the property on behalf of the owner;

“Agricultural purpose”, in relation to the use of a property, includes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;

“Annually”, means once every financial year;

“Category” –

- (a) in relation to property, means a category of properties determined in terms of section 8 of the Act;
- (b) in relation to owners of properties, means a category of owners determined in terms of section 15 (2) of the Act;

“Category of properties”, means a category of properties determined according to the zoning, use of the property, permitted use of the property, or the geographical area in which the property is situated;

“Contiguous pieces of land held and occupied by one owner”, means where two or more continuous pieces of land are held and occupied by one owner and together comprise an area the extent of which is at least 5 hectares;

“Council” means the highest legislative body of the Greater Tubatse Local Municipality as referred to in section 157 (1) of the Constitution and section 18 (3) of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

“Economic services”, means services for which the tariffs are fixed to recover the full costs of the service, like refuse and sewer services;

“Effective date”-

- (a) in relation to a valuation roll, means the date on which the valuation roll takes effect, in terms of section 32 (1) of the Act, or
- (b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78 (b) of the Act;

“Exemption”, in relation to the payment of a rate, means an exemption from the payment of rates, granted by a municipality in terms of section 15;

“Financial year”, means the period starting from 1 July in a year to 30 June the next year;

“Illegal use”, means the use of a property in a manner that is inconsistent with or in contravention of the permitted use of the property;

“Improvement”, means any building or structure on or under a property, but excludes -

- (a) a structure constructed solely for the purpose of rendering the property suitable for the erection of any immovable structure thereon; and
- (b) any building, structure or equipment or machinery referred to in section 46(3) of the Municipal Property Rates Act;

“Local community”, in relation to a municipality -

- (a) Means that body of persons comprising-
 - (i) the residents of the municipality;
 - (ii) the ratepayers of the municipality;
 - (iii) any civic organizations and non-governmental, private sector or labour organizations or bodies which are involved in local affairs within the municipality; and
 - (iv) visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality;
- (b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons;

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

“Market value”, in relation to a property, means the amount a property would have realized if sold on the date of valuation in the open market by a willing seller to a willing buyer;

“MEC for Local Government”, means the member of the Executive Council of the Limpopo Provincial Government who is responsible for local government in the Limpopo Province;

“Multiple purposes”, in relation to a property, means the use of a property for more than one purpose;

“Municipal Manager”, means a person appointed in terms of section 82 of the Municipal Structures Act, 1998;

"Municipality", means the Greater Tubatse Local Municipality;

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

"Municipal valuer" or **"valuer of a municipality"** means a person designated as a municipal valuer in terms of section 33(1) of the Act;

"Non-urban land" means land that is not situated in a proclaimed township, but that is used for residential or agricultural purposes or is not in use. Where the whole of a portion of non-urban land is used for business, industrial or mining purposes the market value of such land or portion of it must be recorded separately in the valuation roll and rated according to the applicable category;

"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;

"Owner"-

- (a) in relation to a property, means a person in whose name ownership of the property is registered;
- (b) in relation to a right means a person in whose name the right is registered;
- (c) in relation to a land tenure right 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, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of "publicly controlled"; provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:-
 - (i) A trustee, in the case of a property in a trust excluding state trust land;
 - (ii) an executor or administrator, in the case of a property in a deceased estate;
 - (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
 - (iv) a judicial manager, in the case of a property in the estate of a person under judicial management;
 - (v) a curator, in the case of a property in the estate of a person under judicial management;
 - (vi) a 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 lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or

- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

“Permitted use”, 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;

Public Benefit Organizations: means properties owned by public benefit organizations 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

“Privately owned towns serviced by the owner” means single properties, situated in an area not ordinarily being serviced by the municipality, divided through sub division or township establishment into (ten or more) full title stands and/ or sectional units and where all rates related services inclusive of installation and maintenance of streets, roads, sidewalks, lighting, storm water drainage facilities, parks and recreational facilities are installed at the full cost of the developer and maintained and rendered by the residents of such estate.

“Property”, means-

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

“Property register”, means a register of properties referred to in section 23 of the Act;

“Protected area”, refers to nature reserves, botanical gardens or national parks provided that the specific area/s is declared as a “Protected area” referred to in section 10 of the Protected Areas Act;

“Protected Areas Act” means the National Environmental Management: Protected Areas Act, 2003 (Act No. 57, of 2004);

"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, 1999 (Act No. 1 of 1999),
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act;

"Public service infrastructure", means publicly controlled infrastructure of the following kinds -

- (a) national, provincial or other public road on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of national railway system;
- (f) communication towers masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways or aprons at national or provincial airports;
- (h) breakwater, sea walls, channels, basin, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewage or similar services of ports, or navigational aids comprising light houses, radio navigational aids, buoys, or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) any right registered against immovable property

"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 levy a rate, excluding property fully excluded from the levying of rates;

"Rebate", in relation to a rate payable on a property, means a discount granted in terms of 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 at that lower amount;

“Remainder of Townships” means the remaining extent of an approved or proclaimed township which is still registered in the name of the applicant for Township Development and which has not yet been transferred to another owner and on which no improvements have been erected except for public service infrastructure

“Residential property” means improved property that:

- (a) is used predominantly (60% or more) for residential purposes including any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property. Any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes.
- (b) is a unit registered in terms of the Sectional Title Act and used predominantly for residential purposes.
- (c) Is owned by a share-block company and used solely for residential purposes.
- (d) Is a residence used for residential purposes situated on property used for or related to educational purposes.
- (e) Retirement schemes and life right schemes used predominantly (60% or more) for residential purposes.

And specifically exclude hostels, flats, old age homes, guest houses and vacant land irrespective of its zoning or intended use.

“Sectional titles unit”, means a unit defined in section 1 of the Sectional Titles Act; 1986 (Act No. 95 of 1986);

“Specified public benefit activity”, means an activity listed as welfare and humanitarian, health care and education and development in Part 1 of the Ninth Schedule to the Income Tax Act;

“State trust land”, means land owned by the state in trust for persons communally inhabiting the land in terms of a traditional system of land tenure, land owned by the state over which land tenure rights were registered or granted or land owned by the state which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);

“Trading services”, means services for which the tariffs are fixed to yield a trading profit, like electricity and water services;

“Urban land”, means land that is situated within a proclaimed township or approved in terms of the DFA Act

“Vacant land”, means:

- (a) Land on which no immovable improvements have been erected; or
- (b) Land where the value added by immovable improvements is less than 10% of the value of the land with no immovable improvements on it.

1. PURPOSE OF POLICY

- 1.1 The purpose of this policy is to allow Council to exercise its power to impose rates within a statutory framework, with the aim to enhance certainty, uniformity and simplicity, taking into account the historical imbalances within communities, as well as the burden of rates on the poor.
- 1.2 As trustees on behalf of the local community, the Municipality shall adhere to its legislative and moral obligation to ensure it implements this policy to safeguard the monetary value and future service provision invested in property.

2. LEGAL FRAMEWORK

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

- 2.7 This policy shall be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Municipal Manager and other responsible officials; the Council and the Mayor as well as between Council and the Municipal Manager. All delegations in terms of this policy must be recorded in writing.

3. IMPOSITION OF PROPERTY RATES

- 3.1. The Council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property recorded in the municipality's valuation roll and supplementary valuation roll.

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

3.3 Policy Principles

- 3.3.1 All ratepayers, in a specific category, as determined by Council from time to time, shall be treated equitably, as required by Section 3 (3) (a) of the Act;
- 3.3.2 Rates are raised in proportion to the market value of the property;
- 3.3.3 The municipal manager or his/her nominee must, subject to the guidelines provided by the National Treasury and the Executive Committee of the municipality, make provision for the following classification of services:-
- (a) Trading services
 - i. Water (on agency basis for the Greater Sekhukhune District Municipality).
 - (b) Economic services
 - i. Refuse removal.
 - ii. Sanitation (on agency basis for the Greater Sekhukhune District Municipality).
 - (c) Community and subsidised services - These include all those services ordinarily being rendered by the municipality excluding those mentioned in 3.3.3(a) and (b).
- 3.3.4 Trading and economic services as referred to in clauses 3.3.3(a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in clause 3.3.3(c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

- 3.3.5 Property rates shall not be used to subsidize trading or economic services;
- 3.3.6 Exemptions, reductions and rebates should not unreasonably affect the income base of the municipality.
- 3.3.7 Therefore, pursuant to section 3 (3) (b) of the Act, it is the policy of the municipality, when –
- * levying different rates for different categories of properties;
 - * exempting a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;
 - * granting rebates; or
 - * increasing rates;

To apply the following criteria -

- * poverty alleviation;
- * stimulation of industrial growth;
- * promotion of tourism;
- * creation of jobs;
- * maintenance of agricultural activity;
- * assist charity and other public benefit organizations;
- * this municipality's budgetary needs;
- * this municipality's integrated development plan; and
- * surpluses contributed by other services.

4. CATEGORIES OF RATEABLE PROPERTIES

- 4.1 Different rates may be levied in respect of the following categories of rateable properties and such rates will be determined on an annual basis during the compilation of the annual budget:-

4.1.1 Residential Properties (r)

- 4.1.1.1 r Residential 1
- 4.1.1.2 r Parks owned by township owner
- 4.1.1.3 r2 Residential 2
- 4.1.1.4 r3 Residential 3

4.1.2 Government (g)

- 4.1.2.1 gb Business

- 4.1.2.2 ge Educational
- 4.1.2.3 gh Hospital or clinic
- 4.1.2.4 gp Police station
- 4.1.2.5 go Other
- 4.1.2.6 gr Residential
- 4.1.2.7 gmin Mining and related uses
- 4.1.3 Business**
 - 4.1.3.1 bus Businesses including guesthouses in urban areas with services
 - 4.1.3.2 buws Businesses including guesthouse on farms without services
- 4.1.4 ind Industrial
- 4.1.5 f Formal and informal settlements
- 4.1.6 il Illegal use
- 4.1.7 is Independent school
- 4.1.8 mun Municipal
- 4.1.9 min Mining and related uses
- 4.1.10 nr Nature reserve, national park or national botanical garden
- 4.1.11 nu Non-urban land
- 4.1.12 psi Public service infrastructure
- 4.1.13 pw Place of public worship or official residence
- 4.1.14 re Remaining extent of proclaimed township

4.2. In determining the category of a property referred to in 4.1 the municipality shall take into consideration the following criteria or a combination thereof:-

- 4.2.1 The formal zoning of the property;
- 4.2.2 Township establishment approvals;
- 4.2.3 The use of the property;
- 4.2.4 Permitted use of the property; and
- 4.2.5 The geographical area in which the property is situated.

4.3 In order to create certainty and to ensure consistency the criteria mentioned in 4.2 shall be

applied as indicated below in order of priority and no deviation is permissible:

4.3.1 Properties shall first of all be determined by the actual use of the property and if the property was not in use then according to the zoning of the property. Town planning schemes, town establishment schemes and town planning regulations may be used to determine the formal zoning.

4.4 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act. A property used for multiple purposes is, for rates purposes, assigned in terms of section 9 of the Act as follows:-

4.4.1 Properties in urban land shall be categorised and rated as provided in section 9(1)(b) of the Act to correspond with the dominant use of the property.

4.4.2 Properties in non-urban land shall be categorised and rated as provided in section 9(1)(c) of the Act to correspond to the multiple purposes for which the property is used. Where the whole or a portion of non-urban land is used for business, industrial or mining purposes the market value of such land or portion of it must be recorded separately in the valuation roll and rated according to the applicable category".

5. CATEGORIES OF OWNERS

5.1 For the purpose of granting exemptions, reductions and rebates in terms of clauses 6,7 and 8 respectively the following categories of owners of properties are determined:-

5.1.1 Those owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality;

5.1.2 Those owners who do not qualify as indigents in terms of the adopted indigent policy of the municipality but whose total monthly income is less than the amount annually determined by the municipality in its budget;

5.1.3 Owners of property situated within an area affected by-

5.1.3.1 a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002);
or

5.1.3.2 serious adverse social or economic conditions.

5.1.4 Owners of residential properties with a market value below the amount as determined annually by the municipality in its budget; and

5.1.5 Owners of agricultural properties as referred to in clause 8.1(e). 1907

5.1.6 Child headed families where any child of the owner or child who is a blood relative of the owner of the property, is responsible for the care of siblings or parents of the household.

6. EXEMPTIONS AND IMPERMISSIBLE RATES

6.1 The following categories of property are exempted from rates:-

(a) Municipal properties

Municipal properties are exempted from paying rates as it will increase the rates burden or service charges to property owners or consumers. However, where municipal properties are leased, the lessee will be responsible for the payment of determined assessment rates in accordance with the lease agreement.

(b) Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2011/2012 financial year the maximum reduction is determined as R50 000.** The impermissible rates of R15 000 contemplated in terms of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality. The remaining R35 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

(c) Public Service Infrastructure

Is exempted from paying rates as allowed for in the Act as they provide essential services to the community.

(d) Right registered against a property

Any right registered against a property as defined in the definition of property in clause 2 of this policy is exempted from paying rates.

6.2 Exemptions in clause 6.1 will automatically apply and no application is thus required.

6.3 Impermissible Rates: In terms of section 17(1) of the Property Rates Act the municipality may, inter alia, not levy a rate:-

(a) On those parts of a special nature reserve, national park or nature reserve within the meaning of the Protected Areas Act, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, which are not developed or used for commercial, business, or residential agricultural purposes.

(b) On mineral rights within the meaning of paragraph (b) of the definition of "property" in section 1 of the Act.

- (c) On a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds.
- (d) On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

6.4 Public Benefit Organizations (PBO)

i. Sporting bodies

Property used by an organisation for sporting purposes on a non-professional basis.

ii. Cultural institutions

Property used for purposes declared in terms of the Cultural Institutions Act, Act 29 of 1969 or the Cultural Institutions Act, Act 66 of 1989.

iii. Museums, libraries, art galleries and botanical gardens

Property registered in the name of private persons, open to the public and not operated for gain.

iv. Youth development organisations

Property owned and/or used by organisations for the provision of youth leadership or development programmes.

v. Animal welfare

Property owned or used by organisations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis.

vi. Cemeteries and crematoriums

Property used for cemeteries and crematoriums on a not-for-gain basis.

vii. Charitable institutions

Property owned or used by institutions or organisations whose aim is to perform charitable work on a not-for-gain.

viii. Welfare institutions

Properties used exclusively as an orphanage, non-profit retirement villages, old age homes or benevolent/charitable institutions, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality.

6.4.1 All possible benefiting organisations in clause 6.4 must apply annually for exemptions. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the exemption applied for is granted the exemption will apply for the full financial year.

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- 6.4.2 Public benefit organizations must attach a SARS tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962) to all applications.
- 6.5 The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- 6.6 The extent of the exemptions implemented in terms of clauses 6.1 to 6.4 must annually be determined by the municipality and included in the annual budget.

7. REDUCTIONS

- 7.1 Reductions as contemplated in section 15 of the Act. Will be considered on an ad-hoc basis in the event of the following:-
- 7.1.1 Partial or total destruction of a property.
- 7.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).
- 7.2 The following conditions shall be applicable in respect of clause 7.1:-
- 7.2.1 The owner referred to in clause 7.1.1 shall apply in writing for a reduction and the onus will rest on such applicant to prove to the satisfaction of the municipality that his property has been totally or partially destroyed. He/ she will also have to indicate to what extent the property can still be used and the impact on the value of the property.
- 7.2.2 Property owners will only qualify for a rebate if affected by a disaster as referred to in the Disaster Management Act, 2002 (Act No. 57 of 2002).
- 7.2.2 A maximum reduction, to be determined on an annual basis, will be allowed in respect of both clauses 7.1.1 and 7.1.2. For the 2010/2011
- 7.2.3 financial year the maximum reduction will amount to 80%.
- 7.2.4 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.
- 7.2.5 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 or the end of the period for which payment was made whichever occurs first.

8. REBATES

8.1. Categories of property

(a) Public Educational Institutions

The municipality may grant a rebate as annually determined for property used by educational institutions declared or registered by law provided that an application in the prescribed format is received not later than 30 September of each year.

(b) Independent Schools

The municipality may grant a rebate as annually determined for property used by registered independent schools for educational purposes only provided that an application in the prescribed format is received not later than 30 September of each year.

(c) Business, commercial and industrial properties

- i. The municipality may grant rebates to rateable enterprises that promote local, social and economic development in its area of jurisdiction. The following criteria will apply:-
 - 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.
- ii. A maximum rebate as annually determined by the municipality will be granted on approval, subject to:-
 - a. a business plan issued by the directors of the company indicating how the local, social and economic development objectives of the municipality are going to be met;
 - b. a continuation plan issued by the directors and certified by auditors of the company stating that the objectives have been met in the first year after establishment and how the company plan to continue to meet the objectives; and
 - c. an assessment by the municipal manager or his/her nominee indicating that the company qualifies.
- iii. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year.

(d) Privately owned towns serviced by the owner

- i. The municipality may grant an additional rebate, to be determined on an annual basis, which applies to privately owned towns serviced by the owner

qualifying as defined in clause A of this policy. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year. For the 2010/2011 financial year the rebate is determined as 40%.

(e) Public Benefit Organisations (PBO's)

Properties owned by public benefit organizations 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 of the Income Tax Act will pay a rate that may not exceed the ratio as published in Government Gazette no 33016 of 12 March 2010. For 2010 /11 the Minister promulgated a **ratio of 1:0.25**

(f) Agricultural property rebate

- i. When considering the criteria to be applied in respect of any exemptions, rebates and reductions on any properties used for agricultural purposes the municipality must take into account:-
 - a. the extent of rates related services rendered by the municipality in respect of such properties.
 - b. the contribution of agriculture to the local economy.
 - c. the extent to which agriculture assists in meeting the service delivery and developmental objectives of the municipality; and
 - d. the contribution of agriculture to the social and economic welfare of farm workers.
- ii. In terms of section 84 of the Act the Minister for Provincial and Local Government, and in concurrence with the Minister of Finance as required through section 19 of the Act, may determine that a rate levied by the Council on a category of non residential property may not exceed the ratio to the rate on residential property. In the absence of any such promulgation the municipality will apply the standard ratio for agricultural properties as 1:0.25 (75% rebate on the tariff for residential properties). For the 2010/2011 financial year the minister has promulgated a **ratio of 1:0.25**.
- iii. An additional rebate (based on the total property value) of maximum 10% will be granted by the municipality in respect of the following:-
 - a. 2,5% for the provision of accommodation in a permanent structure to farm workers and their dependants.
 - b. 2,5% if these residential properties are provided with potable water.
 - c. 2,5% if the farmer for the farm workers electrifies these residential properties.

- d. 2,5% for the provision of land for burial to own farm workers or educational or recreational purposes to own farm workers as well as people from surrounding farms.
- iv. The granting of additional-rebates is subject to the following:-
 - a. All applications must be addressed in writing to the municipality by 31 August 2009 indicating how service delivery and development obligations of the municipality and contribution to the social and economic welfare of farm workers were met. This application will be required as a once off requirement. Any new applications for the 2010/2011 financial year and onwards must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year and such application again regarded as a once off requirement.
 - b. Council reserves the right to send officials or its agents to premises/households receiving relief on annual basis for the purpose of conducting an on-site audit of the details supplied. The onus also rests on recipients to immediately notify Council of any changes in their original application.
 - c. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- v. No other rebates will be granted to properties that qualify for the agricultural rebate. For the avoidance of doubt, properties that qualify for the agricultural rebate will not be entitled to the residential rate exemption as set out in clause 6.1(b) of this policy.
- (g) Rebate for developed stands not yet sold by the developer
 - i. The municipality grants a rebate, (residential tariff less 20%) on the DE Value which applies to vacant stands not yet sold and transferred by the developer. Upon selling of such vacant stands. The rebate will lapse on the date of transfer of the property into the name of the new owner and the new owner will pay rates on the market value
- (h) Rebate for quest houses on non Urban Land

The Municipality may grant a rebate to quest houses on non urban land where they provide for services by themselves. For the 2011/12 financial year a rebate of 30% on business tariff will be applicable.

8.2 Categories of owners

Indigent owners and child headed families will receive a 100% rebate from payment of property tax:-

(a) Indigent households

- i. Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality, regardless of the value of the property, will receive a 100% rebate from payment of property tax. If qualifying in terms of the indigent policy this 100% rebate will automatically apply and no further application is thus required by the owner.

(b) Child headed families

- i. Families headed by children will receive a 100% rebate from payment of property tax according to monthly household income. To qualify for the rebate the head of the family must:-
 - a. occupy the property as his/her normal residence;
 - b. not be older than 18 years of age;
 - c. still be a scholar or jobless; and
 - d. be in receipt of a **total monthly income** from all sources not exceeding an amount to be determined annually by the Municipality; For the 2010/2011 financial year this amount is determined as **2 times social pension** per month.
- ii. The family head must apply on a prescribed application form for registration as a child headed household and must be assisted by the municipality with completion of the application form. If qualifying, this rebate will automatically apply and no further application is thus required.
- iii. Applications must be accompanied by:-
 - a. a certified copy of the identity document or any other proof of the applicant's age which is acceptable to the municipality;
 - b. sufficient proof of total household income;
 - c. an affidavit from the applicant;
- iv. These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.
- v. The municipality retains the right to refuse rebates if the details supplied in the application form were incomplete, incorrect or false.

(c) Retired and Disabled Persons Rate Rebate

- i. Retired and Disabled Persons qualify for special rebates according to monthly household income. For the 2011/12 financial year it will be a further 40% discount.

To qualify for the rebate a property owner must:-

- a. occupy the property as his/her normal residence;
- b. not be the owner of more than one property;

- c. be at **least 60** years of age or in receipt of a disability pension from the Department of Welfare and Population Development;
 - d. be in receipt of a **total monthly income from all sources** (including income of spouses of owner) not exceeding an amount annually determined by the Municipality. For the 2010/2011 financial year this amount is determined as **three times social pension** per month; and
 - e. provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
- ii. Property owners must apply on a prescribed application form for a rebate as determined by the municipality.
 - iii. Applications must be accompanied by:-
 - a. a certified copy of the identity document or any other proof of the owners age which is acceptable to the municipality;
 - b. sufficient proof of income of the owner and his/her spouse;
 - c. an affidavit from the owner;
 - d. if the owner is a disabled person proof of a disability pension payable by the state must be supplied; and
 - e. if the owner has retired at an earlier stage for medical reasons proof thereof must be submitted.
 - iv. All applications must be addressed in writing to the municipality by 31 August for the financial year in respect of which the rate is levied. If the rebate applied for is granted the rebate will apply for the full financial year.
 - v. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

8.3 Properties with a market value below a prescribed valuation level of a value to be determined annually by the Municipality may, instead of a rate being determined on the market value, be rated a uniform fixed amount per property.

8.4 The extent of the rebates granted in terms of clauses 8.1 and 8.2 must annually be determined by the municipality and included in the annual budget.

9. SPECIAL RATING AREAS

9.1 The municipality may from time to time, as provided for in Section 22 of the Act, and as to be depicted in its annual budget and by resolution of the Council, determine a certain area within the boundaries of the municipality, as a special rating area.

- 9.2 The following matters shall be attended to in consultation with the committee referred to in clause 10.6 whenever special rating is being considered:-
- 9.2.1 Proposed boundaries of the special rating area;
 - 9.2.2 Statistical data of the area concerned giving a comprehensive picture of the number of erven with its zoning, services being rendered and detail of services such as capacity, number of vacant erven and services that are not rendered;
 - 9.2.3 Proposed improvements clearly indicating the estimated costs of each individual improvement;
 - 9.2.4 Proposed financing of the improvements or projects;
 - 9.2.5 Priority of projects if more than one;
 - 9.2.6 Social economic factors of the relevant community;
 - 9.2.7 Different categories of property;
 - 9.2.8 The amount of the proposed special rating;
 - 9.2.9 Details regarding the implementation of the special rating;
 - 9.2.10 The additional income that will be generated by means of this special rating.
- 9.3 An additional rate, as will be depicted in the annual budget, shall be levied on the properties in the identified area, for the purpose of raising funds for improving or upgrading of the specified area.
- 9.4 The municipality may differentiate between categories of properties when levying the additional special rate.
- 9.5 The municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of projects and financial implications on an annual basis.
- 9.6 The municipality shall establish a committee, composed by representatives from the specific area, to act as consultative and advisory forum. This committee shall be a sub-committee of the ward committee/s in the area. The election of the committee will happen under the guidance of the Municipal Manager. Gender representivity shall be taken into consideration with the establishment of the committee. The committee will serve in an advisory capacity only and will have no decisive powers.

9.7 In determining the special additional rates the municipality shall differentiate between different categories as referred to in clause 4.

9.8 The additional rates levied shall be utilised for the purpose of improving or upgrading of the specific area only and not for any other purposes whatsoever.

10. PAYMENT OF RATES

10.1 The rates levied on the properties shall be payable:-

- (a) on a monthly basis; or
- (b) annually, before 30 December each year.

10.2 Ratepayers may choose paying rates annually in one installment on or before 30 December each year. If the owner of property that is subject to rates, notify the municipal manager or his/her nominee in writing not later than 30 June in any financial year, or such later date in such financial year as may be determined by the municipality that he/she wishes to pay all rates annually, such owner shall be entitled to pay all rates in the subsequent financial year and each subsequent financial year annually until such notice is withdrawn by him/her in a similar manner.

10.3 The municipality shall determine the due dates for payments in monthly installments and the single annual payment and this date shall appear on the accounts forwarded to the owner/ tenant/ occupants/ agent.

10.4 Interest on arrears rates, whether payable on or before 30 December or in equal monthly installments, shall be calculated in accordance with the provisions of the Credit Control and Debt Collection Policy of the Municipality. No interest will be charged on annually payments before January of the following year

10.5 If a property owner who is responsible for the payment of property rates in terms of this policy fails to pay such rates in the prescribed manner, it will be recovered from him/her in accordance with the provisions of the Credit Control and Debt Collection By-law of the Municipality.

10.6 Arrears rates shall be recovered from tenants, occupiers and agents of the owner, in terms of section 28 and 29 of the Act and the Municipality's credit control and debt collection by-law.

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10.7 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.

10.8 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

11. ACCOUNTS TO BE FURNISHED

11.1 The municipality will furnish each person liable for the payment of rates with a written account, which will specify:

- (i) the amount due for rates payable,
- (ii) the date on or before which the amount is payable,
- (iii) how the amount was calculated,
- (iv) the market value of the property,
- (v) if the property is subject to any compulsory phasing –in discount, the amount of the discount; and
- (vi) rebates, exemptions, reductions or phasing-in, if applicable.

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

11.3 In the case of joint ownership the municipality shall consistently, in order to minimise costs and unnecessary administration, recover rates from one of the joint owners only provided that it takes place with the consent of the owners concerned.

12. GENERAL VALUATION OF RATEABLE PROPERTY

12.1 The municipality shall prepare a new valuation roll at least every 4 (four) years.

12.2 In accordance with the Act the municipality, under exceptional circumstances, may request the MEC for Local Government and Housing in the province to extend the validity of the valuation roll to 5 (five) years.

12.3 Supplementary valuations may be done on a continual basis but at least on an annual basis.

13. LIABILITY FOR AND RECOVERY OF RATES

13.1 The owner of a property shall be liable for the payment of the rates levied on the property.

13.2 Joint owners of a property shall be jointly and severally liable for payment of the rates levied on the property.

13.3 In the case where an agricultural property is owned by more than one owner in undivided shares and these undivided shares were allowed before the commencement date of the Subdivision of Agricultural Land Act, 1970, Act No. 70 of 1970, the municipality shall hold any joint owners liable for all rates levied in respect of the agricultural property concerned or hold any joint owners only liable for that portion of rates levied on the property that represents joint owner's undivided share in the property.

13.4 In the event that a property has been transferred to a new owner and an Interim Valuation took place, the immediate predecessor in title, as well as the new owner, will jointly and severally be held responsible for settling the interim account.

13.5 Properties, which vest in the Municipality during developments, i.e. open spaces and roads should be transferred at the cost of the developer to the Municipality. Until such time, rates levied will be for the account of the developer even if it is zoned as Municipal in the valuation roll

13.6 Rates Clearance Certificates will be valid for a period of maximum 3 months after date of issuing

14. CORRECTION OF ERRORS AND OMISSIONS

14.1 Where the rates levied on a particular property have been incorrectly determined, whether because of an error or omission on the part of the municipality or false information provided by the property owner concerned or a contravention of the permitted use to which the property concerned may be put, the rates payable shall be appropriately adjusted for the period extending from the date on which the error or omission is detected back to the date on which rates were first levied in terms of the current valuation roll.

14.2 In addition, where the error occurred because of false information provided by the property owner or as a result of a contravention of the permitted use of the property concerned, interest on the unpaid portion of the adjusted rates payable shall be levied at the maximum rate permitted by prevailing legislation.

In the case where an agricultural property is owned by more than one owner in undivided shares and these undivided shares were allowed before the commencement date of the Subdivision of Agricultural Land Act, 1970, Act No. 70 of 1970, the municipality shall hold any joint owners liable for all rates levied in respect of the agricultural property concerned or hold any joint owners only liable for that portion of rates levied on the property that represents joint owner's undivided share in the property.

15 DIFFERENTIAL RATES

15.1 Criteria for differential rating on different categories of properties will be according to:-

- (a) The nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes.
- (b) The promotion of social and economic development of the municipality.

15.2 Differential rating among the various property categories will be done by way of setting different cent amount in the rand for each property category; and

15.3 by way of reductions and rebates as provided for in this policy document.

16. COSTS OF EXEMPTIONS, REBATES, REDUCTIONS AND PHASING IN OF RATES

16.1 During the budget process the accounting officer must inform Council of all costs associated with suggested exemptions, rebates, reductions and phasing in of rates.

16.2 Provisions must be made on the operating budget for: -

- (a) the full potential revenue associated with property rates; and
- (b) the full costs associated with exemptions, rebates, reductions and phasing in of rates.

16.3 The revenue foregone should be further appropriately disclosed in the annual financial statements, and the rebates also be indicated on the rates accounts submitted to each property owner.

17. LOCAL, SOCIAL AND ECONOMIC DEVELOPMENT

17.1 The municipality may grant rebates to organisations that promote local, social and economic development in its area of jurisdiction.

17.2 The Municipality's LED Unit must validate the qualification for the continued application of the rebate and the said rebates must be phased- out within 3 years from the date that the rebate was granted for the first time.

17.3 Rebates will be restricted to a percentage determined by Council from time to time.

18. REGISTER OF PROPERTIES

18.1 The municipality will compile and maintain a register in respect of all properties situated within the jurisdiction of the municipality. The register will be divided into Part A and Part B.

18.2 Part A of the register will consist of the current valuation roll of the municipality and will include all supplementary valuations done from time to time.

18.3 Part B of the register will specify which properties on the valuation roll or any supplementary valuation roll are subject to:-

- i. Exemption from rates in terms of section 15 of the Property Rates Act,
- ii. Rebate or reduction in terms of section 15,
- iii. Phasing-in of rates in terms of section 21, and
- iv. Exclusions as referred to in section 17.

18.4 The register will be open for inspection by the public at the municipal main offices during office hours or on the website of the municipality.

18.5 The municipality will update Part A of the register every 6 months during the supplementary valuation process.

18.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

19. COMMUNITY PARTICIPATION

19.1 Before the municipality adopts the rates policy, the municipal manager will follow the process of community participation envisaged in chapter 4 of the Municipal Systems Act and comply with the following requirements:

19.1.1 Council must establish appropriate mechanisms, processes and procedures to enable the local community to participate and will provide for consultative sessions with locally recognised community organisations and where appropriate traditional authorities.

19.1.2 Conspicuously display the draft rates policy for a period of at least 30 days at the municipality's head and satellite offices and libraries and on the website.

19.1.3 Advertise in the media a notice stating that the draft rates policy has been prepared for submission to council and that such policy is available at the various municipal offices and on the website for public inspection.

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- 19.1.4 Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee of determined annually by the municipality. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
- 19.1.5 Council will consider all comments and/or representations received when considering the finalisation of the rates policy.
- 19.1.6 The municipality will communicate the outcomes of the consultation process in accordance with section 17 of the Municipal Systems Act 32 of 2000. For this purpose, public meetings will be advertised in local newspapers distributed within the Greater Tubatse municipal area.

20. NOTIFICATION OF RATES

- 20.1 A notice stating the date on which the new rates shall become operational as resolved by Council must be displayed, published, disseminate and served by the Municipality in terms of Section 49 of the Act.
- 20.2 This is to be aligned with the annual budgetary process and shall be subject to the same obligations as contemplated in the MFMA.

21. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY

- 21.1 The municipality will adopt By-laws to give effect to the implementation of the Rates Policy and such By-laws may differentiate between different categories of properties and different categories of owners of properties liable for the payment of rates.

22. REGULAR REVIEW PROCESSES

- 22.1 The rates policy must be reviewed on an annual basis to ensure that it complies with the Municipality's strategic objectives as contained in the Integrated Development Plan and with legislation.

23. ENFORCEMENT/IMPLEMENTATION

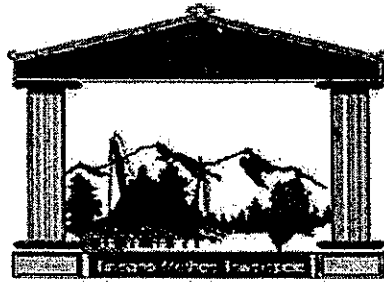
- 23.1 This policy has been approved by the Municipality in terms of Council resolution dated and takes effect on the effective date of the second valuation roll on 11 August 2016

FINAL PRINCIPLES AND POLICY ON INDIGENT CONSUMERS



The **GTM**
**GREATER TUBATSE
MUNICIPALITY**

South Africa's first democratic platinum city



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3.2 These grants may be allocated if such a person or any other occupier of the property concerned can submit proof or declare under oath that all occupants over 18 years of age or in the case of child headed household consumers had no income or a verified total gross monthly income of less than the amount indicated in terms of the definitions below for the preceding three consecutive months.

3.2.1 Definition of an Indigent.

3.2.1.1 If the total monthly income of all occupants is not more than an amount as determined by Council from time to time. These amounts will be determined at the beginning of every financial year and will be applied for the duration of that particular financial year. Currently the income amount is deemed to be **equal to 2(two) times the social pension.**

3.2.1.2 **Must only have one property in the country and the property must be occupied as his/her normal residence. Property value of the property must not be more than R100000-00 . If a house is built for the parents with a valuation more than R100000-00 the parents will not qualify to be seen as indigent**

3.2.2 Definition of Child Headed Families. Families headed by children qualify for special rebates according to monthly household income. To qualify for the rebate the head of the family must:-

- a. **Only have one property in the Country and the property must be occupied as his/her normal residence. Property value must not be more than R100000-00**
- b. Not be older than 18 years of age.
- c. Still be a student or jobless.
- d. Be in receipt of a total monthly income from all sources not exceeding an amount to be determined annually by the Municipality.
- e. Entry level amount for the 2010/2011 financial year is determined as equal to two times the social pension.

3.3 Only one application per person (household consumer) in respect of one property shall qualify for consideration. A business, school, body association, club or governing body shall not qualify for consideration.

3.4 The subsidy will apply to the owner or tenant of the property concerned.

3.5 **The subsidy will not apply in respect of households owning more than one property and will therefore not be classified as indigent.**

4.1 **APPLICATION AND AUDIT FORM**

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- 4.1 An application form for Indigent Household Subsidy must be completed by all consumers who qualify in terms of this policy.
- 4.2 The account holder must apply in person and must present the following documents upon application:-
- 4.2.1 The latest Municipal account in his/her possession.
- 4.2.2 The accountholder's identity document.
- 4.2.3 An application form indicating the names and identity numbers of all occupants/residents over the age of 18 years, who reside at the property.
- 4.2.4 Documentary proof of income where possible or an affidavit of financial status.
- 4.2.5 Statement of monthly income and expenditure.
- 4.3 **All applications must be verified by an official or municipal agent appointed by Council. The relevant Ward Councillor must be involved during the evaluation process and must verify the application together with the relevant officials and local community leaders or ward committee members appointed by Council in this regard.**
- 4.4 Application forms must be read in conjunction with the policy proposed and form part of Council's indigent policy.
- 4.5 The list of indigent households may be made available at any time to the Information Trust Corporation (ITC) for the purpose of exchanging credit information. Households qualifying for consumer credit elsewhere will not be regarded as indigents. Indigents with pensioner status are excluded.
- 4.6 If an application is favourably considered, a subsidy will only be granted during that municipal financial year and the subsequent twelve (12) month budget cycle. The onus will rest on the approved account holders to apply for relief on an annual basis.
- 4.7 Any aggrieved person who was not successful in the application to be recognised 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 was communicated to the applicant.
- 4.7.1 The Appeals Board whose composition shall be approved by council shall review all appeals within thirty (30) days from receipt of the appeal.
- 4.8 For the purposes of transparency, on an annual basis, the following key information of the recipient's indigent support will be made available to the public for scrutiny:-
- Names of household consumers receiving relief for the prescribed period;
 - Stand number where services are rendered to the recipients; and
 - Number of dependants residing on the property.

- 4.9 Any resident may query the qualification of a recipient in writing, within 30 days from the date of publication, to the Council.

5. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

- 5.1 The Chief Financial Officer will be responsible to compile and administer the database for households registered in terms of this policy.
- 5.2 Registration will take place on dates and at times and places determined by the Council, but shall generally be undertaken during February and /or March each year. The Municipal Manager or his/her delegate will provide assistance to persons who cannot read or write, at such times and places as are specified in the notices published to indicate that the registration programme is to take place.
- 5.3 Council reserves the right to send officials or its agents to premises/households receiving relief from time to time for the purpose of conducting an on-site audit of the details supplied.

6. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

- 6.1 Applicants will be required to sign and submit a sworn affidavit, to the effect that all information supplied is true and that all income, i.e. from formal and/or informal sources, is declared.
- 6.2 Any person who **supplies false information will be disqualified** from further participation in the subsidy scheme. He/she will also be liable for the immediate repayment of all subsidies received and all debts including arrears that have previously been written off, and the institution of criminal proceedings, as Council may deem fit.
- 6.3 The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence status.

7. SERVICES TO BE SUBSIDISED

7.1 Water

- 7.1.1 Not function of the Municipality and therefore applicants have to registered as indigent with the Sekhukhune District Municipality as well

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7.2 Sewerage

7.2.1 Not a function of the Municipality therefore the applicants have to registered as indigent with the Sekhukhune District Municipality

7.3 Refuse Removal

7.3.1 All registered indigents shall be subsidised for refuse removal services as determined and provided for by the Council in the annual budget from time to time. A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

7.4 Electricity

7.4.1 This service is not rendered by the Municipality but by Escom directly

7.5 Property Rates

7.4.1 All registered indigents shall be subsidised for property rates services as determined and provided for by the Council in the annual budget from time to time. A subsidy, determined at the beginning of every financial year and not more than the applicable tariff for that year, will be applied for the duration of that particular financial year. The amount of the subsidy will be determined and approved as part of the tariff policy applicable for the financial year.

8. TARIFF POLICY

8.1 The Local Government Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003 stipulates that a Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements and which complies with the provisions of the Act and with any other applicable legislation.

8.2 A tariff policy must reflect, amongst others, at least the following principles, namely that:-

8.2.1 The amount individual users pay for their services should generally be in proportion to their use of that service;

8.2.2 Poor households must have access to at least basic services through-

- tariffs that cover only operating and maintenance costs;
- special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
- any other direct or indirect method of subsidisation of tariffs for poor households; and

8.2.3 The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

9 SOURCES OF FUNDING

9.1 The amount of subsidisation will be limited to the amount of the equitable share received on an annual basis. This amount may be varied on a yearly basis according to the new allocation for a particular financial year.

9.2 If approved as part of the tariff policy the amount of subsidisation may at any time be increased through cross subsidisation, i.e. step tariff system in which case paragraph 8.2.3 shall apply.

10 METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

10.1 No amount shall be paid to any person or body, but shall be transferred on a monthly basis as a credit towards the approved account holder's municipal services account in respect of the property concerned.

10.2 Arrear amounts shall not qualify for any assistance and shall not be taken into consideration. Calculations shall be based on the monthly current accounts only and in accordance with the approved tariff policy.

11 ARREAR ACCOUNTS

11.1 The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.

11.2 The arrears on the accounts of households, approved as indigent, will be submitted to the CFO(for amounts less than R20000-00) to be written off in full (including any interest charged) or to the Municipal Manger if the amount is between R20001 and R50000 or to Council if the amount is more than R50000 to be written off in full. This will be done after the expiry of 3 months from the date of being registered as an indigent.

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This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.

12 RESTORING SERVICES TO QUALIFIED HOUSEHOLDS

12.1 If an application is approved services will be restored free of charge. If services are to be suspended thereafter in terms of the approved credit control policy the approved tariff for reconnection will be payable.

13 SERVICES IN EXTENT TO AVAILABLE FUNDING

13.1 Not function of the Municipality.

14 CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

14.1 Aim of the Credit Control Policy

14.1.1 The credit control policy aims to achieve the following:-

- To distinguish between those who can and cannot genuinely pay for services;
- To get those who cannot pay to register with the municipality so that they are given subsidies;
- To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures; and
- To establish an indigent directory of all persons who comply with the policy.

14.2 Obligation to Pay

14.2.1 The policy on provision of services should endeavour to provide services in accordance with the amount available for subsidisation.

14.2.2 It is however important to note that if the subsidy received does not cover the full account the consumer is still responsible for the balance between the full account and the subsidy received.

14.2.3 Where applicable, credit control must still be applied, in accordance with the approved credit control policy, for these outstanding amounts.

15. REPORTING REQUIREMENTS

15.1 The municipal manager shall report on a monthly basis to the Executive Committee for the month concerned and by municipal ward:-

15.1.1 The number of households registered as indigents and a brief explanation of any movements in such numbers;

15.1.2 The monetary value of the actual subsidies and rebates granted; and

15.1.3 The budgeted value of the actual subsidies and rebates concerned; and the above information cumulatively for the financial year to date.

15.2 The Executive Committee shall submit the above reports on a quarterly basis to Council and to the municipalities ward committees if so requested.

16 IMPLEMENTATION AND REVIEW OF THIS POLICY

16.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.

16.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

**BUDGET RELATED CIRCULARS
NO
78, 79 &82**



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NATIONAL TREASURY

Municipal Budget Circular for the 2016/17 MTREF

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Introduction

The budget circular is compiled annually to guide municipalities on how to prepare their budget inputs. This circular focuses on the preparation of the 2016/17 Medium Term Revenue and Expenditure Framework (MTREF), reference should also be made to the previous circulars. This guidance includes national policy imperatives that should be accommodated and other relevant information. The circular provides a summary of South Africa's economic outlook, inflationary targets, financial management issues and specific reference on how to give effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR). The key focus of this circular is the 2016 Local Government Elections, the demarcation process and the changes to the local government grant allocations.

1. 2016 Local Government Elections and the budget process

Local government elections are likely to be scheduled between May and August 2016; the proposed date is yet to be determined. Elections are important events – when we reaffirm our commitment to democratic and accountable government by choosing representatives of the people who will guide the work of local government for the next five years.

The following four risks need to be explicitly managed:

1. In terms of section 13 of the Municipal Property Rates Act, 2004 (Act No 6 of 2004)(MPRA) and sections 24 and 42 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003)(MFMA), new tariffs for property rates, electricity, water and any other taxes and similar tariffs may only be implemented from the start of the municipal financial year (1 July). This means that the municipal council must approve the relevant tariffs before the commencement of 1 July; and, should this not happen, the municipality will not be able to increase its taxes and tariffs. Failure to obtain Council approval for the annual tariff increases would most likely cause an immediate financial crisis that may lead to the provincial executive intervening in the municipality in terms of section 139 of the Constitution;
2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year, and should a municipal council fail to do so, section 26 of the MFMA prescribes that the provincial executive **must** intervene. This provincial intervention may include dissolving the municipal council and appointing an administrator to run the municipality;
3. The outgoing council may be tempted to prepare an 'election friendly budget' – with unrealistically low tariff increases and an over-ambitious capital expenditure programme. The outcome of this approach will undoubtedly be unfunded municipal budgets that threaten their respective municipalities' financial sustainability and service delivery; and
4. Given that the timing of election campaigning coincides with the municipal public budget consultations; and there is a risk that these consultations may be neglected or used to serve the narrow interests of political parties.

In the build-up to the 2016 local government elections, municipalities are encouraged to act towards ensuring financial sustainability. Now, more than ever before, it is paramount for sound municipal decision-making so that long-term sustainability of municipal finances and service delivery is achieved beyond the election period.

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Municipal finances are presently volatile and there is severe pressure to maintain healthy cash flows and maintain effective cost containment measures. It is therefore imperative that municipalities refrain from suspending credit control and debt collection efforts in a bid to win votes.

Furthermore, as the current composition and leadership of municipal councils will, for the most part, be responsible for the compilation of the 2016/17 medium-term revenue and expenditure (MTREF) budgets, councils are advised to prioritise expenditure appropriations aligned to the policy intent as described in the integrated development plans (IDPs). Infrastructure provisioning for water, sanitation, roads and electricity remain key priorities.

In addition the outgoing council is advised to critically consider the financial implications before entering into new long-term contracts that are not of priority to the municipality and avoid if possible, committing the incoming council. In addition, refrain from purchasing cars and from incurring expenditure at this stage that will financially burden the incoming council.

During this time of transition, all stakeholders should work together to ensure that municipalities continue to perform their functions efficiently and effectively. The Mayor and municipal manager should now be engaging in the process of the annual review of the fifth and last year of the IDP in terms of section 34 of the Municipal Systems Act (MSA) and the 2016/17 budget preparation process in terms of section 21 of the MFMA. It is particularly important to ensure that arrangements for the review of IDPs and preparation of budgets continue seamlessly as these processes cannot be delayed in anticipation of the announcement of an election date.

The uncertainty of the date of Election Day means that the newly elected councils may not be duly constituted by 31 May 2016 and therefore they will be unable to consider the annual budget before the start of the new municipal financial year. If the election date falls within the latter part of May 2016 and if there is any delay in declaring the election results or if the results are legally contested then it is unlikely that the new councils will be able to consider and pass the annual budget before the start of the new municipal financial year. In fact, in the case of district municipalities, there is a high probability that they will not be constituted in time to consider the annual budgets since they depend on the finalisation of the local municipality election results relevant to their respective districts. The same will apply if the election is held in June, July or August. It is for this reason that it is recommended that the outgoing council should adopt the 2016/17 MTREF budget before the start of the new financial year.

In deciding on the schedule for the 2016/17 budget process, the Mayor and municipal manager must also note that the MFMA read together with the Municipal Budget and Reporting Regulations only allows for a 'main adjustments budget' to be tabled after the mid-year budget and performance assessment has been tabled in council, i.e. after 1 January 2017. In addition, the permitted scope of an adjustments budget is quite limited in that taxes and tariffs may not be increased or decreased (refer to section 28(6) of the MFMA), and any additional revenues may only be appropriated to programmes and projects already budgeted for (refer to section 28 of the MFMA). Therefore the idea of the current council passing a 'holding budget' which the new council will change substantially through an adjustments budget soon after the start of the municipal financial year is not legally permitted.

Though an IDP is a five year strategic document of council, municipalities should note that when a new council takes office after each local government election, the norm has been that the first year of such a new council is primarily confined to implementing the last adopted IDP. Subsequent to this, it is normally in the second year of the new council where the newly

elected council will adopt its new and thoroughly interrogated and consulted IDP. This process mostly leads to an overlap of the last year of outgoing council into the new council. It is each municipal council's prerogative to decide when to approve its annual budget. However, to assist municipalities, National Treasury proposes that councils consider adopting the following approach for their 2016/17 budget process:

Outgoing council approves 2016/17 budget
<ol style="list-style-type: none"> 1. Current Mayor prepares a budget schedule that brings the review of the IDP and the tabling of the budget forward to late February or the beginning of March 2016; 2. Community consultations on the annual budget conducted in the remainder of March and early April 2016; 3. Officials complete technical work on annual budget by mid-April 2016; 4. Current council approves annual budget and reviewed IDP before the end of April 2016; and 5. Council implements annual budget from 1 July 2016.
Benefits
<ul style="list-style-type: none"> • Minimises the risk of being without an approved budget at the start of the financial year; • Ensures continuity of operations; and • Safeguards the financial sustainability of the municipality by ensuring tariff increases are locked in before the start of the financial year.
Risks
<ul style="list-style-type: none"> • New council may not concur with the priorities set out in the annual budget approved by the outgoing council, and therefore they may be reluctant to be held accountable for the implementation thereof.
Mitigating factors
<ul style="list-style-type: none"> • New council should note the overlapping year of the last year of the IDP into the first year of new council; and • Note that MFMA section 28(6) does not allow for tariff increases during the financial year of implementation of the adopted budget.

2. Financial Implications of the demarcation process

According to section 21 of the Municipal Demarcation Act, 1998 (Act No 27 of 1998), the Municipal Demarcation Board (MDB) must determine municipal boundaries and may re-determine any municipal boundaries. In June 2011, the MDB began an intensive three year consultative process of reviewing municipal boundaries. This process was concluded in 2013, and resulted in 17 local municipalities being affected by major boundary redeterminations. As a result of these changes the total number of municipalities is reduced by 8 municipalities.

Following the 2013 cycle of municipal boundary redeterminations, the Minister of Cooperative Governance and Traditional Affairs (CoGTA) submitted additional proposals requesting the MDB to consider the re-configuration of boundaries of certain municipalities. These proposals were submitted to the MBD in January, February and April 2015 in terms of section 22(2) of the Act, which gives the Minister of CoGTA the right to request the MDB to consider specific boundary changes. The process of considering these applications was finalised in 2015, resulting in 32 local municipalities being affected. As a result of these changes the total number of municipalities is reduced by a further 13 municipalities.

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In total there will be a net reduction of 21 municipalities resulting in a total number of 257 municipalities in the country. A list of affected municipalities is attached as Annexure B.

Implications for municipalities that are merging (if the election is held before 1 July 2015):

- The demarcation changes are only effective from the date of the local government elections, therefore each existing municipality must compile an individual budget for the 2016/17 MTREF;
- The individual budgets will be consolidated for the newly demarcated municipality after the local government elections, regardless of the new allocations that will be published in the 2016 Division of Revenue Bill;
- In order to ensure seamless consolidation of budgets after the elections, the merging municipalities are urged to start working as a team on the planning and technical processes; and
- During the period between the date of the election and the start of the new municipal financial year on 1 July 2016 the current arrangements for the payment of staff and creditors are required to be maintained.

In addition, municipalities should be aware of the role of the Change Management Committee (CMC) of overseeing joint planning between the municipalities in preparation for the consolidated budget after the local government elections.

National Treasury will provide further information on the implications of the mergers if the elections are after the start of the 2016/17 municipal financial year. This will be done in the second budget circular to be issued in March 2016. In this scenario the currently existing municipalities would continue to exist for the beginning of the 2016/17 financial year before the mergers come into effect on the date of the election. Existing councils will have to adopt budgets and municipalities will be eligible to receive a pro-rata portion of their equitable share and some grant allocations for the period prior to the new municipal boundaries coming into effect.

2.1 Support provided to municipalities

To support the newly amalgamated municipalities to undertake a smooth transition, the Municipal Demarcation Transition Grant (MDTG) was established with a time span of three years (2015/16 to 2017/18). The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect after the 2016 local government elections. The grant only subsidises additional administrative costs related to the mergers (such as merging and changing administrative systems and costs related to transferring staff). It does not provide for any infrastructure funding.

All affected municipalities are also being supported by provincial departments of cooperative governance. A Change Management Committee has been established for each re-demarcation, with representation from all of the affected municipalities and their respective district municipalities and the provinces. The Department of Cooperative Governance has also established a national Municipal Demarcation Transitional Committee with the aim of coordinating the various transitional measures that need to be put in place for the affected municipalities.

The 2016 DORA will set out the funding that will be provided to the affected municipalities, and these municipalities, CMCs and affected provinces must ensure that they adhere to the conditions attached to the MDTG. In particular, business plans must be timeously submitted to the Department of Cooperative Governance so as to ensure that transfers are done in accordance with the payment schedules.

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2.2 Impact of demarcation changes on financial transfers to municipalities

Implications for Local Government Equitable Share (LGES) allocations

The LGES is allocated through a formula that takes account of several factors including the number of poor households and households in a municipality, their incomes and the ability of the municipality to raise its own revenue. In calculating municipalities' equitable share allocations for 2016/17 all of these indicators will be updated in line with the new municipal boundaries. The resultant changes in the affected municipalities' equitable share allocations will be implemented by National Treasury and details of the new allocations will be published in the 2016 Division of Revenue Bill.

Implications for Municipal Infrastructure Grant (MIG) allocations

The MIG is allocated through a formula in a similar manner to the LGES (the MIG formula is based on infrastructure backlogs). The MIG formula will also be updated with data reflecting the changed municipal boundaries. The resultant changes in the affected municipalities' MIG allocations will be implemented by National Treasury and details of the new allocations will be published in the 2016 Division of Revenue Bill.

Implications for other conditional grant allocations

Allocations of other conditional grants are made to municipalities by the responsible national departments, often on a project basis. Allocations for conditional grants are only made for one year and the amounts published for the outer years in the schedules of the Division of Revenue Act are published for indicative purposes only and are not guaranteed. Departments will make their allocations for the 2016/17 financial year based on the new boundaries of municipalities. For municipalities that have been merged this means that previous indicative allocations are likely to be made to the new municipality that incorporates the municipal area where a project was planned and indicative amounts were published, however there is no guarantee of this.

Preparations for each major boundary re-determination are being overseen by a Change Management Committee (CMC). These CMCs are expected to play a coordinating role and exercise oversight over the preparation of a joint budget as well as any business plans required for conditional grants. The business plans can then be approved by the new council as soon as it has been constituted.

Transfers to municipalities will be gazetted in terms of the new municipal boundaries for the 2016/17 financial year.

2.3 Implications for assets and liabilities of municipalities

The changes to municipal boundaries are published by the MECs for local government in provincial gazettes in terms of section 12 of the Municipal Structures Act, 1998 (Act No 117 of 1998)(LGMSA). Section 14 of this Act regulates the effects that changes to municipal boundaries will have on existing municipalities. It also stipulates that the section 12 notice issued by the MEC for local government must provide for:

- The disestablishment of a municipality (or part of a municipality);
- The vacation of office by councilors of the existing municipality;
- The transfer of staff from the existing municipality to the superseding municipality (this must be done in accordance with labour legislation);
- The transfer of assets, liabilities and administrative and other records from the existing municipality to the superseding municipality (creditors of the existing municipality must be paid by the new municipality); and
- The extent to which existing by-laws will still apply.

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The 2016/17 municipal budget preparation must make provision for any changes contained in these section 12 notices. The outgoing Council will as a result still be responsible for the preparation and conclusion of the Annual Financial Statements and the audit process.

3. The South African economy and inflation targets

The 2015 Medium Term Budget Policy Statement notes that the global economic outlook has been weaker than anticipated. Growth in developing economies has moderated in response to lower commodity prices, subdued domestic demand and reduced capital inflows. Growth in some developed economies has offset this slowdown. The South African economy is expected to grow by 1.5 per cent in 2015, 1.7 per cent in 2016 and 2.6 per cent in 2017. Domestic inflation is lower, largely as a result of declining oil prices. However, the depreciation of the Rand and the current drought gripping many parts of the country, however, pose some risk to the inflation outlook. Furthermore the electricity supply shortages pose the largest domestic risk to growth.

Persistent high unemployment remains one of South Africa's most pressing challenges. Difficult trading conditions and low business confidence levels have limited hiring during 2015. The formal sector lost 76 000 jobs, with sharp declines in manufacturing and construction, as well as community, social and personal services.

These economic challenges will continue to pressurise municipal revenue generation and collection hence a conservative approach is advised for projecting revenue. These circumstances make it essential for municipalities to reprioritise expenditure and implement stringent cost-containment measures.

Municipalities must take the following macro-economic forecasts into consideration when preparing their 2016/17 budgets and MTREF.

Table 1: Macroeconomic performance and projections, 2014 - 2018

Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Forecast		
CPI Inflation	5.6%	5.5%	6.0%	5.8%	5.8%

Source: Medium Term Budget Policy Statement 2015

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

4. Key focus areas for the 2016/17 budget process

4.1 Local government conditional grants and additional allocations

The purpose of the conditional grants is to deliver on national government priorities relating to service delivery. Additional funding is allocated in the form of unconditional allocations such as the equitable share and the sharing of the general fuel levy. The main purpose of the equitable share is to fund the provision of free basic services to the poor.

The 2015 Medium Term Budget Policy Statement indicates that over the 2016 MTEF period, transfers to local government total R350.6 billion, with 59.5 per cent transferred as unconditional allocations and the rest as conditional grants. The division of available funds to local government have increased to R106.9 billion or 9.2 per cent of the national revenue for 2016/17. These funds are expected to increase to R128.4 billion by 2018/19.

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Municipalities are advised to use the indicative numbers as set out in the 2015 Division of Revenue Act to compile their 2016/17 MTEF. In terms of the outer year (2018/19 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2015 Division of Revenue Act for 2017/18. The DoRA is available at <http://www.treasury.gov.za/legislation/acts/2015/Default.aspx>

It is imperative that municipalities reflect the conditional grant allocations as per the 2016 Division of Revenue Bill once available, and plan effectively to utilise these allocations appropriately so as to avoid requesting roll-overs.

Changes to local government allocations

- The *local government equitable share* is being increased by R6 billion over the MTEF to provide some relief for the impact of increasing costs of bulk water and electricity and rapid growth in households.
- The *municipal demarcation transition grant* allocation is being increased to subsidise the additional administrative costs in respect of the re-demarcations. This includes increased allocations for demarcations approved in 2013 and allocations for demarcations approved in 2015.
- The *municipal systems improvement grant* will become an indirect grant so that it can support more strategic capacity building interventions at municipalities. The initiatives funded from this grant will be aligned to the Back-to-Basics strategy and the Department of Cooperative Governance and the National Treasury will jointly decide on the details of how this programme will work.
- The *municipal human settlements capacity grant* was introduced in 2014/15 to facilitate the development of capacity to manage human settlements programmes in anticipation of the assignment of the housing function to cities. However, there is no longer a need for this standalone grant as the assignment process was subsequently suspended indefinitely. The grant will be terminated in 2016/17. Cities will be allowed to use 3 per cent of the *urban settlements development grant* to improve their capacity with regard to the built-environment functions.
- The indirect *bucket eradication programme grant* was due to end in 2015/16 but will be extended to 2016/17 to complete the eradication of bucket sanitation systems in formal residential areas. Sanitation upgrading and bucket system eradication in informal areas will continue to be funded through the *urban settlements development grant*, *human settlements development grant* and *municipal infrastructure grant*.

Reforms to local government fiscal framework

The second phase of the collaborative review of the local government infrastructure grant system led by the National Treasury has been concluded. Several changes will be introduced over the 2016 MTEF period to streamline these grants and improve the value and sustainability of associated investments. Proposed reforms to be introduced from 2016 include:

- Enabling the use of funds for the renewal, refurbishment and rehabilitation of existing infrastructure, alongside asset management systems to plan and prioritise maintenance;

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- Reforming the public transport network grant to support financially sustainable transit networks in large cities by using a formula to allocate the grant, thereby giving cities a clear financial envelope within which to plan;
- Consolidating urban grants over the MTEF to tackle challenges in the built environment;
- Rationalising grants to reduce complexity and administrative burdens. Several water and sanitation grants are being merged;
 - The *municipal water infrastructure grant*, the *water services operating subsidy grant* and the *rural households infrastructure grant* will be merged into a single grant that will be targeted at reticulation and on-site-solutions in low capacity municipalities.
- Introducing greater differentiation between urban and rural areas. Secondary cities in particular will see changes to their planning requirements.

National Treasury has initiated a process of reviewing development charges. A national draft policy framework on development charges has been developed and processes are underway to consult on the policy. The consultations will convene early next year. More detailed information on these consultation processes will be provided in due course. For more information in this regard, you can contact Ms Judy Mboweni at Judy.Mboweni@treasury.gov.za or Ms Mmachuene Mpyana at Mmachuene.Mpyana@treasury.gov.za.

4.2 Reporting indicators

The National Treasury has engaged in a process of rationalising the reporting regime for the eight metropolitan municipalities with an aim to reduce the reporting burden whilst also creating a pool of indicators that will enable government to monitor progress on the outcomes and impact of municipal spending. This process has progressed significantly with regards to the outcomes and impact indicators whilst the rationalisation of the inputs, activities and output indicators is still undergoing rigorous consultations. The metropolitan outcomes and impact indicators are linked to the Built Environment Performance Plans (BEPPs) and therefore the Integrated City Development Grant (ICDG); whereas the inputs, outputs and activities indicators are linked directly to the Service Delivery Budget Implementation Plan (SDBIP) only as it relates to the built environment. When finalised, these indicators will assist the process of standardising the SDBIP.

The functional outcomes indicators are due to be finalised for the next budget cycle whilst the work on the input and output indicators is ongoing. Over time these reforms will also be extended to non-metropolitan municipalities.

4.3 Municipal Standard Chart of Accounts (*mSCOA*)¹

The *mSCOA* Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only eleven months remain for preparation and implementation readiness as the 2017/18 MTREF budgets will all have to be aligned to *mSCOA*.

The implementation of *mSCOA* must be considered a business reform and it requires a significant change in municipal business processes; and it involves systems conversion and/

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

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or re-implementation. Further, *m*SCOA requires organisational change as it is not only a financial reform that is being introduced.

The 2016/17 tabled budget or consolidated budget must include an annexure containing the municipality's *m*SCOA project plan and progress to date.

National Treasury has a dedicated website to support municipalities with their *m*SCOA readiness efforts. The following information is available:

- The current *m*SCOA classification framework;
- The *m*SCOA Project Summary Document;
- All Municipal SCOA Circulars, providing hands-on support on how to undertake preparation and implementation;
- Integrated Consultative Forum (ICF) – documentation and presentations of the *m*SCOA piloting process; and
- The Frequently Asked Questions Database (FAQ Database) – where previously asked questions and responses can be accessed and new questions may be logged.

For more information on *m*SCOA and other benefits of the reform, visit <http://www.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnASimplifiedStandardChartOfAccounts/Final/Pages/default.aspx>

5. The revenue budget

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor households, other customers and ensuring the financial sustainability of the municipality. For this reason municipalities **must justify in their budget documentation all increases in excess of the 6.0 per cent** projected inflation target in the budget narratives.

Municipalities are not maximising the revenue generation potential of their revenue base and this, together with the increasing unemployment and the decline in economic growth means that there is just not sufficient municipal own revenue to supplement the national funding sources to local government.

It is therefore necessary for municipalities to ensure that their tariffs are adequate to, at the minimum, cover the costs of bulk services and also to ensure that all properties are correctly billed for property rates and all services rendered.

5.1 Eskom bulk tariff increases

In terms of the Multi Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 8 per cent has been approved for the 2016/17 financial year. However, Eskom has applied to NERSA to use tariff increases in 2016/17 to compensate for an under-recovery of R22.8 billion in 2013/14. Such an application is allowed in terms of the NERSA's methodology for calculating the MYPD. A similar Eskom application was approved by NERSA for 2015/16.

NERSA is now in the process of reviewing this application. Until a decision on Eskom's application is announced by NERSA, municipalities are advised to base their planning on the 8 per cent increase already approved by NERSA. However, municipalities should be aware that it is possible that a higher tariff increase could be approved and take this possibility into account in their planning for the 2016/17 MTREF. NERSA expects to make a decision on Eskom's application by February 2016.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving financial sustainability.

5.2 Water and sanitation tariff increases

Municipalities should consider the full cost of rendering the water and sanitation services when determining tariffs related to these two services. If the tariffs are low and result in the municipality not recovering their full costs, the municipality should develop a pricing strategy to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time. Should this not be the case, municipalities will be required to clearly articulate the reasons and remedial actions to rectify this position in their budget document. It is expected that the tariffs will differ per municipality depending on the bulk water tariff increases charged by their respective water boards.

Municipalities are urged to design an Inclining Block Tariff (IBT) structure that is appropriate to its specific circumstances, and ensures an appropriate balance between 'low income customers' and other domestic, commercial and business customers, and the financial interests of the municipality. While considering this structure, municipalities are advised to evaluate if the IBT system will be beneficial to them depending on consumption patterns in their areas.

In light of the current drought being experienced across large parts of the country, and to mitigate the need for water tariff increases, municipalities must put in place appropriate strategies to limit water losses to acceptable levels. In this regard municipalities must ensure that water used by its own operations is charged to the relevant service, and not simply attributed to water losses.

6. Funding choices and management issues

Municipalities should carefully consider the costs associated with service delivery while keeping in mind affordability and inflation when setting revenue raising measures. Once again, approving tariffs that are far below levels representing cost of providing the services would negatively impact on the financial sustainability of municipalities.

Furthermore municipalities must consider the following when compiling their 2016/17 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures; and
- pay special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities.

6.1 Employee related costs

The South African Local Government Bargaining Council recently entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

Municipalities are advised to use this Salary and Wage Agreement preparing their 2016/17 MTREF budgets.

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6.2 Remuneration of councillors

Municipalities are advised to budget for the actual costs approved in accordance with the gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually by the Department of Cooperative Governance.

6.3 Service level standards

In spite of a broad guideline on the minimum service standards having been issued with MFMA Circular No. 75, many municipalities did not incorporate the service level standards in their respective budget documentation nor submit these to National Treasury. All municipalities are again advised to formulate service level standards which must form part of their 2016/17 MTREF tabled budget documentation. The said service level standards must, together with the budgets, tabled before their respective municipal councils by no later than 31 March 2016.

It is noted that the same service level standards do not apply across all municipalities. Therefore, the hereon provided outline is intended to guide municipalities with the development of their respective service level standards. The outline can be amended to suit the requirements of individual municipalities. Municipalities are advised to also consider other guideline documents issued by other institutions available on the link indicated below.

A framework was developed as an outline to assist municipalities in finalising their service level standards. The outline can be accessed on the link below:
<http://mfnat.treasury.gov.za/Circulars/Documents/Forms/AllItems.aspx?RootFolder=/Circulars/Documents/Circular%2078%202015%20MTREF&FolderCID=&View=06AB24E7-41C4-4A80-A0E2-273E6A320024>

6.4 Outcomes of the Financial Management Capability Maturity Model (FMCMM)

In prioritising the upcoming MTREF decisions, municipalities should review the detailed analysis of the results of the FMCMM assessments with the results of the 32 financial ratios that provide a holistic picture of the financial capability and sustainability of the municipality. These reports have been communicated to all municipalities and should be read in conjunction with the most recent budget reviews and feedback provided by National Treasury and Provincial Treasuries. Key aspects requiring attention should be discussed with the municipal council and management so that they can be prioritised for resource allocation and implementation.

Comments on these assessments and any other related legislative advice on the MFMA can be submitted to the MFMA helpdesk facility at: MFMA@treasury.gov.za

6.5 Hand-over reports for the newly elected council

Each municipal manager, working together with the Chief Financial Officer (CFO) and senior managers, is encouraged to prepare a hand-over report that can be tabled at the first meeting of the newly elected council. The aim of this hand-over report is to provide the new councils important orientation information regarding the municipality, the state of its finances, service delivery and capital programme, as well as key issues that need to be addressed.

It is proposed that the hand-over report should include:

- An overview of the demographic and socio-economic characteristics of the municipality;

- An overview of the organisational structure of the municipality, with the names and numbers of senior managers;
- An overview of key municipal policies that councillors need to be aware of, and where they can obtain the full text of such policies;
- An overview of issues that still need to be addressed in relation to the municipality's turnaround strategy;
- An overview of the municipality's financial health, with specific reference to:
 - Its cash and investments, and its funding of commitments (Table A8);
 - Cash coverage of normal operations (see Supporting Table SA10);
 - Creditors outstanding for more than 30 days, along with reasons for delayed settlement;
 - Current collection levels and debtors outstanding for more than 30 days; and
 - Extent of existing loans, and associated finance and redemption payments.
- The municipality's 2014/15 audit outcome, and its strategy to address audit issues;
- An overview of the provision of basic services, including plans to address backlogs;
- An overview of the state of the municipality's assets, with particular reference to the asset management plan, and repairs and maintenance requirements;
- A list of the main infrastructure projects planned for the 2016/17 budget and MTREF;
- A list of key processes requiring council input over the next six months, e.g. revision of the IDP, approval of specific policies etc. and
- Any other information deemed to be important.

In addition to the hand-over report, each new councillor should be given the municipalities' revised IDP, the adopted 2016/17 budget (if already passed), the mid-year budget and performance assessment report for 2015/16, and the latest monthly financial statement, and the annual report for 2014/15.

Municipal managers should submit their municipality's hand-over report to the relevant provincial department responsible for local government, provincial treasuries, the Department of Co-operative Governance (DCoG) and to National Treasury.

7. Conditional Grant Transfers to Municipalities

7.1 Pledging of conditional grants

Read together with paragraph 4.5 of MFMA Circular No. 51, all conditions for the considerations of the conditional grant pledge should be aligned with the provisions of section 46 of the MFMA regarding long-term borrowing.

While pledging of conditional grants assists in accelerating capital projects, municipalities are cautioned that pledging will only be approved for projects that have gone through a proper planning process as well as meeting the criteria for pledging as per MFMA Circular No. 51.

8. The Municipal Budget and Reporting Regulations

National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). This version incorporates minor changes (see Annexure A). Therefore **ALL** municipalities **MUST** use this version for the preparation of their 2016/17 Budget and MTREF.

Download Version 2.8 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at <http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

8.1 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official as follows:

	Responsible NT officials	Tel. No.	Email
Eastern Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Matjatji Mashoeshoe	012-315 6567	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Vincent Malepa	012-315 5539	Vincent.Malepa@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
	Katlego Mabiletsa	012-395 6742	Katlego.Mabiletsa@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
Northern Cape	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Vuyo Mbunge	012-315 5661	Vuyo.Mbunge@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lqdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a 'quality certificate' in accordance with the format as set out in item 31 of Schedule A in the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***those municipalities will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.***

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year reports for both the parent municipality and its entity or entities in that they to produce:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and not the budget of the parent municipality only.

9. Budget process and submissions for the 2016/17 MTREF

9.1 Submitting budget documentation and schedules for 2016/17 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2016, the final date of submission of the electronic budget documents and corresponding electronic returns is **Friday, 01 April 2016**. The deadline for submission of hard copies including council resolution is **Friday, 8 April 2016**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2016, the final date for such a submission is **Thursday, 14 July 2016**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 2.8) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA37) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and
- schedules D, E and F specific for the entities.

Municipalities are required to send electronic versions of documents and the A1 schedule to lgdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email (exceeds 4MB) please submit to lgbigfiles@gmail.com. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above mentioned budget documentation, metropolitan municipalities must submit the Built Environment Performance Plan (BEPP) tabled in council on 31 March 2016 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with

Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

9.2 Budget reform returns to the Local Government Database for publication

For publication purposes, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database. All returns are to be sent to lgdatabase@treasury.gov.za. Municipalities are requested to submit returns for both the draft budget and the final adopted budget. This will assist the National and provincial treasuries with the annual benchmark process.

The aligned electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

9.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
07 December 2015

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Annexure A – Changes to Schedule A1 – the ‘Excel formats’

As noted above, National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet	Amendment	Reason
1	A10	Cost of free basic services	Improve reporting of cost of free basic services provided including in informal settlements.
2	SA1	Revenue foregone	Improve reporting on revenue foregone and cost of free basic services.
3	SA9	Provision of free basic services	To provide detailed breakdown of free basic services which links to A10.

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Annexure B – Municipalities affected by redeterminations

Redeterminations Finalised by the MDB in 2013 and 2015

Province	Affected Local Municipalities	Impact
Redeterminations finalised in 2013		
Gauteng	Randfontein and Westonaria	Reduction of 1 Municipality
KwaZulu - Natal	Vulamehlo and Umdoni	Reduction of 1 Municipality
	Hlabisa and The Big 5 False Bay	Reduction of 1 Municipality
	Umtshezi and Imbabazane	Reduction of 1 Municipality
	Ezingoleni and Hibiscus Coast	Reduction of 1 Municipality
	Emnambithi/Lady smith and Indaka	Reduction of 1 Municipality
	Kwa Sani and Ingwe	Reduction of 1 Municipality
	Ntambanana, Mthonjaneni and uMhlatuze	Reduction of 1 Municipality . (Ntambanana disestablished with 8 wards. Ward s1-4 incorporated into Mthonjaneni; wards 5-8 incorporated into uMhlatuze)
Redeterminations finalised in 2015		
KwaZulu - Natal	Mool Mpoana and Umvoti	No reduction in number of Municipalities. Portion of Mool Mpoana (Cadham voting district) incorporated into Umvoti.
Mpumalanga	Mbombela and Umjindi	Reduction of 1 Municipality
Free State	Mangaung and Naledi	Reduction of 1 Municipality
North West	Ventersdorp and Tlokwe	Reduction of 1 Municipality
Northern Cape	Mier and //Kara Hais	Reduction of 1 Municipality
Limpopo	Mutale, Thulamela, Makhado and Musina	Reduction of 1 Municipality (Mutale disestablished. Parts of Mutale are incorporated into Thulamela and Musina. Parts of Makhado and Thulamela are incorporated to form a new municipality .)
	New Municipality	Parts of Makhado and Thulamela are incorporated to form a new municipality .
	Aganang, Blouberg, Molemole and Polokwane	Reduction of 1 Municipality . (Aganang disestablished; parts of Aganang incorporated into Blouberg, Molemole and Polokwane).
	Felakgomo and Greater Tubatse	Reduction of 1 Municipality
	Modimolle and Mookgopong	Reduction of 1 Municipality
Eastern Cape	Gariep and Maletswai	Reduction of 1 Municipality
	Nxuba and Nonkobe	Reduction of 1 Municipality
	Inkwana, Tsolwana and Lukanji	Reduction of 2 Municipalities (all 3 amalgamated into 1)
	Camdeboo, Baviaans and Ikwezi	Reduction of 2 Municipalities (all 3 amalgamated into 1)

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Annexure C – Previous MFMA Circulars

Budget management issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55, 66, 67 and 70 with regards to the following issues:

1. Mayor's discretionary funds and similar discretionary budget allocation – National Treasury regards allocations that are not designated for a specific purpose to be bad practice and discourage them (refer to MFMA Circular 51).
2. Unallocated ward allocations – National Treasury does not regard this to be a good practice, because it means that the tabled budget does not reflect which ward projects are planned for purposes of public consultation and council approval (refer to MFMA Circular 51).
3. New office buildings – Municipalities are required to send detailed information to National Treasury if they are contemplating building new main office buildings (refer to MFMA Circular 51).
4. Virement policies of municipalities – Municipalities are reminded of the principles that must be incorporated into municipal virements policies (refer to MFMA Circular 51).
5. Providing clean water and managing waste water – Municipalities were reminded to include a section on 'Drinking water quality and waste water management' in their budget document (refer to MFMA Circular 54).
6. Renewal and repairs and maintenance of existing assets – Allocations to repairs and maintenance, and the renewal of existing infrastructure must be prioritised. Municipalities must provide detailed motivations in their budget documentation if allocations do not meet the required benchmarks set out in MFMA Circular 55 and 66.
7. Credit cards and debit cards linked to municipal bank accounts are not permitted – On 02 August 2011 National Treasury issued a directive to all banks informing them that as from 01 September 2011 they are not allowed to issue credit cards or debit cards linked to municipal bank accounts (refer to MFMA Circular 55).
8. Water and sanitation tariffs must be cost reflective - refer to MFMA Circular 66.
9. Solid waste tariffs – refer to MFMA Circular 70.
10. Variances between 4th Quarter section 71 results and annual financial statements – refer to Circular 67.
11. Additional In-Year reporting requirements – refer to MFMA Circular 67.
12. Appropriation statement (reconciliation: budget and in-year performance)- reference is made to circular 67. It came to the attention of National Treasury that a number of municipalities did not include the appropriation statement as part of their 2012/13 or 2013/14 annual financial statement. In terms of the Standards of GRAP 24 on the Presentation of Budget Information in Financial Statements, municipalities are required to present their original and adjusted budgets against actual outcome in the annual financial statements. This is considered an appropriation statement and the comparison between the budget and actual performance should be a mirror image of each other as it relates to the classification and grouping of revenue and expenditure as has been the case in a national and provincial context. This statement is subject to auditing and accordingly supporting documentation would be required to substantiate the compilation of this statement.
13. Eliminating non-priority spending – The 2013 MTBPS emphasised the need for government to step-up its efforts to combat waste, inefficiency and corruption (refer to MFMA circular 70).
14. Council oversight over the budget process – refer to MFMA Circular 70.

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Conditional grant issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 and 67 with regards to the following issues:

1. Accounting treatment of conditional grants: Municipalities are reminded that in accordance with accrual accounting principles, conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by incurring expenditure in accordance with the conditions of the grant.
2. VAT on conditional grants: SARS has issued a specific guide to assist municipalities meeting their VAT obligations – **VAT 419 Guide for Municipalities**. To assist municipalities accessing this guide it has been placed on the National Treasury website at: <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>
3. Interest received and reclaimed VAT in respect of conditional grants: Municipalities are reminded that in MFMA Circular 48, National Treasury determined that:
 - Interest received on conditional grant funds must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions; and
 - 'Reclaimed VAT' in respect of conditional grant expenditures must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions.
4. Appropriation of conditional grants that are rolled over – As soon as a municipality receives written approval from National Treasury that its unspent conditional grants have been rolled-over it may proceed to spend such funds (refer to MFMA Circular 51 for other arrangements in this regard).
5. Pledging of conditional grant transfers – the 2015 Division of Revenue Bill contained a provision that allows municipalities to pledge their conditional grants. The end date for the pledges is extended to 2017/18. The process of application as set out in MFMA Circular 51 remains unchanged.
6. Separate reporting for conditional grant roll-overs – National Treasury has put in place a separate template for municipalities to report on the spending of conditional grant roll-overs. Municipalities are reminded that conditional grant funds can only be rolled-over once, so if they remain unspent in the year in which they were rolled-over they MUST revert to the National Revenue Fund.
7. Payment schedule – National Treasury has instituted an automated payment system of transfers to municipalities in order to ensure appropriate safety checks are put in place. Only the primary banking details verified by National Treasury will be used for effecting transfers.
8. Conditional grant transfers/payments, the responsibilities of transferring and receiving authorities and the criteria for the rollover of conditional grants – It is important that the transfers made to municipalities' are transparent, and properly captured in the municipalities' budgets. MFMA Circular no: 67 in this regard refers. The criterion for the rollover of conditional grants is stipulated in MFMA Circular no: 51.

MBRR issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 with regards to the following issues:

1. Budgeting for revenue and 'revenue foregone' – The 'realistically anticipated revenues to be collected' that must be reflected on the Budgeted Statement of Financial Performance (Tables A2, A3 and A4) must exclude 'revenue foregone'. The definition

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of 'revenue foregone' and how it is distinguished from 'transfers and grants' is explained in MFMA Circular 51.

2. Preparing and amending budget related policies – Information on all budget related policies and any amendments to such policies must be included in the municipality's annual budget document (refer to MFMA Circular 54).
3. 2013/14 MTREF Funding Compliance Assessment – All municipalities were required to perform the funding compliance assessment outlined in *MFMA Funding Compliance Guideline* and to include the relevant information outlined in MFMA Circular 55 in their 2015/16 budgets (refer to MFMA Circular 55).
4. Tabling a funded budget - It is critical that municipalities adopt and implement funded budgets as per Section 18 of the MFMA. Tables A7 and A8 which if completed correctly by the municipality, it will provide most of the information required to evaluate whether a municipality's operating and capital budgets are **funded** or not.

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Municipal Budget Circular for the 2016/17 MTREF

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Introduction

The budget circular is compiled annually to guide municipalities on how to prepare their budget inputs. This circular is a follow-up to the MFMA Budget Circular No.78 that focused on the preparation of the 2016/17 Medium Term Revenue and Expenditure Framework (MTREF). This guidance includes national policy imperatives that should be accommodated and other relevant information. The circular provides a summary of South Africa's economic outlook, inflationary targets, financial management issues and specific reference on how to give effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR). The key focus of this circular is the impact of the date of the 2016 Local Government Elections on municipalities affected by re-demarcations and the changes to the local government grant allocations.

1. 2016 Local Government Elections and the budget process

1.1 Impact of Local Government Elections on demarcation changes

The date of the 2016 local government elections has not yet been declared, which means that it is also not yet known when the new demarcations will come into effect. The re-demarcation could take place before or after the start of the 2016/17 municipal financial year, which begins on 01 July 2016.

Allocations published in the 2016 Division of Revenue Bill are based on the new municipal boundaries because these new demarcations will be in effect for the majority of the 2016/17 municipal financial year. The following guidance was provided in the MFMA Budget Circular No. 78:

If the elections are held before 01 July 2016, merging municipalities will be expected to:

- Compile individual budgets for the 2016/17 MTREF and work as a team with other affected municipalities on the planning and technical processes in compiling the consolidated budget for the newly demarcated municipality; and
- Complete the remaining weeks of the financial year on their existing budget structures (and existing demarcations). The allocations published in the 2016 Division of Revenue Bill will then be transferred to the re-demarcated municipalities from 01 July 2016.

However, additional clauses have been added to section 38 of the 2016 Division of Revenue Bill to enable the National Treasury to gazette revised allocations if the elections take place after 01 July 2016.

If elections are held after 01 July 2016, the following is expected:

- Revised allocations to be transferred to the current 278 municipalities for the period between 01 July 2016 and the date of the elections (when the re-demarcated municipal boundaries will come into effect);
- The remaining allocations will be transferred to the re-demarcated municipalities after the elections;
- Merging municipalities to compile individual budgets for the 2016/17 MTREF and work as a team with other affected municipalities on the planning and technical processes in compiling the consolidated budget for the newly demarcated municipality; and
- Municipalities to implement the individual budgets until the new re-demarcations come into effect.

In areas affected by major re-demarcations the focus of the budget process for the 2016/17 MTREF should be on preparing the budget of the new municipalities that will come into effect

on the date of the 2016 local government elections. Public consultations and decisions regarding tariffs and spending priorities should be focused on how these new institutions will be funded and deliver services. As elections must be held by mid-August (in terms of the requirements of section 24 of the Municipal Structures Act) these new municipalities will be responsible for delivering services for the majority of the 2016/17 financial year and over the rest of the medium term period. Preparation of these budget documents should be led by the Change Management Committee established to manage the implications of re-demarcations in each area.

The councils of the pre-election municipalities affected by the boundary change must jointly consider the budget for the new municipality to be established to ensure that all the issues are addressed e.g. budget related policies. The draft budget prepared by the Change Management Committee and agreed to by the pre-election councils should then be adopted by the newly elected council as soon as possible after it is constituted. If there are changes to be made, they must be considered during the 2016/17 adjustments budget or the 2017/18 MTREF.

Municipalities that will be merged or disestablished on the date of the local government elections must also prepare 2016/17 MTREF budgets for their existing municipality. If the election is held after 01 July then expenditure and the collection of revenue will be done in terms of this budget until the budget of the new council is adopted. The budgets that these municipalities prepare must be aligned to the budget for the new municipality described above.

If two municipalities are merging then the total of the transfers they budget to receive should be equal to the total allocated to the new municipality in the 2016 Division of Revenue Bill. Municipalities can use the proportion of funds allocated to each municipality in terms of the 2015 Division of Revenue Act as a guide to how to apportion 2016/17 MTEF allocations between the existing municipalities. For example, if municipality 1 and municipality 2 are merging to form municipality 3 and municipality 1 received an equitable share twice as large as municipality 2 in 2015/16, then municipality 1 should prepare a 2016/17 MTREF budget based on receiving 66.6 per cent of the equitable share allocation published for municipality 3 in the 2016 Division of Revenue Bill.

If the local government election date is after 01 July 2016, National Treasury will gazette how much will be transferred to each pre-election municipality for the period between 01 July 2016 and Election Day. In terms of the requirements and process set out in section 38 of the 2016 Division of Revenue Bill, this gazette will be issued within 2 weeks after the election date is announced or the Bill is enacted (whichever date is later).

The changes to municipal boundaries result in some significant changes to municipal allocations in 2016/17. To cushion the impact of these changes, all municipalities will receive at least 95 per cent of the equitable share formula allocation indicatively allocated to them in 2016/17 in the 2015 Division of Revenue Act. For merged municipalities, this guarantee will be based on the sum of the equitable share allocations to the previously separate municipalities. In cases where a municipality has been split, the guarantee is applied to an area's share of the former municipality's equitable share, based on its portion of the population in the former municipality.

The role of the Change Management Committee is critical in ensuring that budget policies for the newly demarcated municipalities are developed. The MECs for local government have issued provincial gazettes in terms of section 14 of the Municipal Structures Act, 1998 (Act No 117 of 1998)(LGMSA) detailing the transitional process for municipalities affected by re-demarcations.

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2. The South African economy and inflation targets

The 2016 Budget Review notes that since the tabling of the Medium Term Budget Policy Statement (MTBPS) in October 2015 the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa's own economic weaknesses, with projected GDP growth revised down to 0.9 per cent for 2016 improving gradually to 1.7 per cent in 2017 and 2.4 per cent in 2018.

The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2016.

These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.

Job creation remains one of the most pressing concerns for the economy. Headline employment grew by 3.7 per cent in the first three quarters of 2015. According to Statistics South Africa, 19 000 jobs were created in the formal sector and 273 000 in the informal sector in the first three quarters of 2015. The unemployment rate stood at 25.5 per cent in the third quarter of 2015, with the number of South Africans categorised as long-term unemployed 5.7 per cent higher than in 2014.

Higher inflation and weaker employment growth will impact on the ability of all municipalities to generate and collect revenue on services, to keep expenditures within budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. Therefore it is critical for municipalities to review how they conduct their business to ensure value for money is obtained in all their expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.

Municipalities must take the following macro-economic forecasts into consideration when preparing their 2016/17 budgets and MTREF.

Table 1: Macroeconomic performance and projections, 2014/15 – 2018/19

Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19
	Actual	Estimate	Forecast		
CPI Inflation	5.6%	5.4%	6.6%	6.2%	5.9%
Real GDP growth	1.6%	0.9%	1.2%	1.9%	2.5%

Source: 2016 Budget Review

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

3. Key focus areas for the 2016/17 budget process

3.1 Local government conditional grants and additional allocations

The purpose of the conditional grants is to deliver on national government priorities relating to service delivery. Additional funding is allocated in the form of unconditional allocations such as the equitable share and the sharing of the general fuel levy. The main purpose of the equitable share is to fund the provision of free basic services to the poor.

Over the 2016 MTEF period, R339.6 billion will be transferred directly to local government and a further R22.9 billion has been allocated to indirect grants. Direct transfers to local government over the 2016 MTEF period account for 9.1 per cent of national government's non-interest expenditure. The total spending on local government increases to 9.8 per cent of national non-interest expenditure when indirect transfers are added.

Direct transfers to local government grow at an annual average rate of 6.8 per cent over the 2016 MTEF period. Transfers to local government tabled in the 2016 MTEF have been reduced to make funding available for other government priorities. Over the MTEF period, local government allocations decrease by R967 million. Despite these reductions, total allocations to local government still grow at an annual average rate of 6.7 per cent over the MTEF period.

Municipalities are reminded that all allocations included in the budgets must correspond to the allocations listed in the Division of Revenue Bill. All the budget documentation can be located on the National Treasury website by clicking on the link below:
<http://www.treasury.gov.za/documents/national%20budget/2016/>

Changes to local government allocations

- The *local government equitable share* - the 2016 budget reduces the baseline allocation by R300 million, or 0.6 per cent, in 2016/17. In 2017/18 and 2018/19, R1.5 billion and R3 billion are added respectively to offset the rising costs of basic services. These amounts revise downwards the 2015 MTBPS medium-term projection of an additional R6 billion. This change is as a result of government's reprioritisation of expenditure.
- The *municipal demarcation transition grant* allocation – a total of R409.3 million has been allocated in 2016/17 and 2017/18 to fund the changes in municipal boundaries in affected municipalities.
- The *municipal systems improvement grant* has been reconfigured as an indirect grant from 2016/17 to help poorly performing municipalities with revenue collection, performance management and record keeping. Regional management support will also be provided to groups of municipalities facing common institutional weaknesses.
- A total of R350 million is added to the *bucket eradication programme grant* in 2016/17 to complete the eradication of bucket sanitation systems in formal residential areas. The *urban settlements development grant*, the *human settlements development grant* and the *municipal infrastructure grant* will continue to fund the upgrade of sanitation in informal settlements through various projects focused on improving these areas. An amount of R155 million is also reprioritised into the *regional bulk infrastructure grant*.
- There is also a small shift of funds from the *municipal infrastructure grant* to the *urban settlements development grant* to account for the absorption of Naledi Local Municipality (which receives the *municipal infrastructure grant*) into Mangaung Metropolitan Municipality (which receives the *urban settlements development grant*).

Reforms to local government infrastructure grants

The National Treasury, in collaboration with the Department of Cooperative Governance, the Department of Planning, Monitoring and Evaluation, SALGA and the FFC, has reviewed the system of local government infrastructure grants. Following an intergovernmental review of the local government infrastructure grant system, significant changes are being made to the way these grants are structured. The changes include:

- Allowing municipalities to use conditional grant funds to repair and refurbish existing infrastructure. Spending of grant funds on refurbishment should be focused on infrastructure serving the poor and does not remove the responsibility of municipalities to fund routine maintenance from the equitable share and own revenues. This will improve services and secure future revenue streams.
- Reducing the number of water and sanitation grants from four to two by merging of the previous *municipal water infrastructure grant*, the *water services operating subsidy grant* and the *rural household infrastructure grant* to create a new *water services infrastructure grant*. The regional bulk infrastructure grant is to fund large bulk-water and sanitation projects, and the water services infrastructure grant is to fund construction and refurbishment of reticulation schemes and on-site services in rural municipalities.
- A new formula to allocate the R6 billion per year set aside to upgrade public transport in 13 cities. The previous system incentivised cities to plan overly expensive systems in the hope of receiving more funding. The new formula provides greater certainty about the long-term support government will provide, and allows cities to plan affordable and sustainable infrastructure upgrades.

4. Revenue management

National Treasury continues to encourage municipalities to keep increases in property rates, tariffs for trading services and charges for other municipal own revenue sources within the parameters of the country's inflation rate. Furthermore, municipalities must adopt a tariff setting methodology that achieves an appropriate balance between the interests of poor households and other customers while ensuring financial sustainability of the municipality. Demand management is becoming increasingly necessary as the country faces water shortages and an unstable electricity supply. The approach to tariff setting should consider all these factors and strive to achieve an equitable balance.

It is anticipated that the cost of providing municipal services will grow at a faster rate than the transfers from national government. Resource scarcity will most likely increase the cost of bulk purchases in respect of water and electricity beyond the country's inflationary targets.

Furthermore, providing for free basic services in the case of poorer households must be carefully considered and, where some municipalities have opted to provide this benefit to ALL households, this may not be financially sustainable in the long-term. Where appropriate, a municipality should re-evaluate the costs and benefits of universal or targeted provision of free basic services subsidies, in order to protect their delivery to poor households in particular. At no point should the provision of these subsidies remove resources from programmes that will expand access to infrastructure services for presently un-served households.

Where municipalities do not have an adequate revenue base and where municipalities face a combination of challenges such as resource scarcity, high unemployment and slower than average economic growth, an aggressive approach to curbing non-core spending and improving operational efficiencies is strongly advised.

4.1 Tariff setting

There are several tools available and methodologies employed to determine the appropriate tariffs for water and electricity services. Municipalities may favour different approaches but the principles of tariff setting should be consistently applied.

Municipalities should consider the following practicalities when setting tariffs:

- Costs of bulk purchases and the fluctuation in the seasonal cost thereof;
- Consumption patterns to enable better demand planning and management; and
- In the event that municipalities have been under recovering costs, embark on a process to correct their tariff structures over a reasonable time period so that cost reflective tariffs are achieved.

The tariff setting process is reliant on sound baseline information such as the number of properties within the municipal area of jurisdiction, the values of these properties, the number of households identified as indigent or poor, the consumption patterns in respect of basic services and the growth patterns within the various geographic areas.

4.2 Eskom bulk tariff increases

In terms of the Multi Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 9.4 per cent has been approved for the 2016/17 financial year. However NERSA has not yet approved and published guidelines on municipal electricity price increase for the 2016/17 financial year.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving financial sustainability.

5. Funding choices and management issues

Municipalities should carefully consider the costs associated with service delivery while keeping in mind affordability and inflation when setting revenue raising measures. Once again, approving tariffs that are far below levels representing the cost of providing the services would negatively impact on the financial sustainability of municipalities.

5.1 Employee related costs

The South African Local Government Bargaining Council recently entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The agreement reached is as follows:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

Municipalities are advised to use this Salary and Wage Agreement preparing their 2016/17 MTREF budgets.

5.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published on 21 December 2015 by the Department of Cooperative Governance.

5.3 Cost containment measures

In the 2016 State of the Nation Address by the President, the cost containment measures announced by the Minister of Finance in 2013 were re-emphasised. It was highlighted that excessive and wasteful expenditure has been reduced, but there is still more to be done to cut



wastage. In addition the President announced some new measures which include, amongst others:

- Curtailment of overseas trips and the submission of strong motivations by those requesting permission to travel i.e. the benefit to the country needs to be proved; and
- Institution of further restrictions on conferences, catering, entertainment and social functions.

The Minister of Finance announced further measures in his budget speech on 24 February 2016. The Mayors of municipalities were urged to join in eliminating wasteful expenditure in government.

The advice provided in MFMA Budget Circular (No. 58, 66, 70, 72, 74 and 75) on cost containment measures and elimination of non-priority spending is still applicable to municipalities. A separate MFMA Circular will be issued on cost containment measures. In addition National Treasury is firstly in a process of reviewing the National Treasury instruction on cost containment measures which was issued to accounting officers of departments and secondly, determining its applicability to local government. Once the process has been concluded, a Regulation on cost containment measures applicable to local government will be issued.

Municipalities were advised in MFMA Circular No. 70 to align their budgeting policies to the cost containment measures to the extent possible as approved by Cabinet in 2013. Municipalities are requested to table the cost containment measures in council and to submit evidence thereof to the National and Provincial Treasuries together with the budget documentation in terms of the MFMA.

5.4 2016/17 MTREF budget assessment

The National Treasury has continuously advised municipalities in previous budget circulars on financial management issues to be considered when compiling budgets. The 2016/17 MTREF budget assessment will critically consider the following:

- Cost reflective tariffs;
- Appropriateness of budget assumptions;
- Provision for asset renewal and maintenance;
- Credibility and level of funding of the budget (funded or not funded); and
- Alignment of the budgets to municipality's plans.

Therefore municipalities must ensure that their 2016/17 MTREF addresses the items listed above and further submit the methodology applied in setting tariffs when submitting budget documentation to the National Treasury in terms of the MFMA.

6. Conditional Grant Transfers to Municipalities

6.1 Overspending of conditional grants

Expenses incurred against conditional grants should be made in line with the allocations stated in the Division of Revenue Act (DoRA) as required by the Municipal Budget and Reporting Regulations (MBRR) in supporting tables SA 18 and 19. Municipalities must therefore adopt their annual budget in line with the allocations made in the DoRA.

In instances where municipalities overspent against their budgeted programmes, own revenue source should be used against such expenditure items. This implies that a debtor cannot be raised against the transferring national officer's future allocations.

6.2 Criteria for the rollover of conditional grant funds

The criteria published in MFMA Budget Circular No. 75 are still applicable when considering rollover requests. Municipalities must submit the required information or application to National Treasury by 31 August 2016, if not, the application will not be considered.

When considering rollover requests from municipalities, all unspent cash backed grants should be classified only as "Cash and cash equivalents". This number must also reconcile with the cash flow statements. All conditional grants must be spent in line with the conditions for which they are set for. They must not be invested.

6.3 Payment procedure on conditional grants

Conditional grants are paid in line with the approved payment schedule and are captured and authorised three days in advance. These payments include revised payment schedules, amended payment schedules, and withheld payments and rollovers credit payments.

7. The Municipal Budget and Reporting Regulations

National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). This version incorporates minor changes (see Annexure A). Therefore **ALL** municipalities **MUST** use this version for the preparation of their 2016/17 Budget and MTREF. Download Version 2.8 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at <http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

7.1 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official as follows:

	Responsible NT officials	Tel. No.	Email
Eastern Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Matjatji Mashoeshoe	012-315 6567	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Vincent Malepa	012-315 5539	Vincent.Malepa@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
	Katlego Mabiletsa	012-395 6742	Katlego.Mabiletsa@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
Northern Cape	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gillmani	012-315 5807	Mandla.Gillmani@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za

	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Vuyo Mbunge	012-315 5661	Vuyo.Mbunge@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lgdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a 'quality certificate' in accordance with the format as set out in item 31 of Schedule A in the Municipal Budget and Reporting Regulations.

The National Treasury needs to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, **those municipalities will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations.**

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year reports for both the parent municipality and its entity or entities in that they are to produce:

- An annual budget, adjustment budget and monthly financial statements for the parent municipality in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial statements for the parent municipality and all its municipal entities in the relevant formats.

The A-Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and not the budget of the parent municipality only.

8. Budget process and submissions for the 2016/17 MTREF

8.1 Submitting budget documentation and schedules for 2016/17 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2016, the final date of submission of the electronic budget documents and corresponding electronic returns is **Friday, 01 April 2016**. The deadline for submission of hard copies including council resolution is **Friday, 8 April 2016**.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury **within ten working days** after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2016, the final date for such a submission is **Thursday, 14 July 2016**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 2.8) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA37) in both printed and electronic formats;
- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- **schedules D, E and F specific for the entities;**
- signed budget locking certificate as found on the website;
- service level standards; and
- mSCOA implementation plan and progress to date.

Municipalities are required to send electronic versions of documents and the A1 schedule to lgdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email (exceeds 4MB) please submit to lgbigfiles@gmail.com. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

All new municipalities must submit the 2016/17 MTREF as soon as it is adopted by the newly elected council.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above mentioned budget documentation, metropolitan municipalities must submit the Built Environment Performance Plan (BEPP) tabled in council on 31 May 2016 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

8.2 Budget reform returns to the Local Government Database for publication

For publication purposes, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database. All returns are to be sent to lgdatabase@treasury.gov.za.

Municipalities are requested to submit returns for both the draft budget and the final adopted budget.

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This will assist the National and provincial treasuries with the annual benchmark process. The aligned electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

8.3 Municipal Standard Chart of Accounts (mSCOA)¹

The mSCOA Regulations apply to all municipalities and municipal entities with effect from 1 July 2017 and only seven months remain for preparation and implementation readiness as the 2017/18 MTREF budgets will all have to be aligned to mSCOA. It is critical for municipalities to start budgeting on mSCOA by September 2016 to go live on 01 July 2017.

Municipalities are reminded that the current reporting requirements will remain in place until the National Treasury considers the implementation of the mSCOA and the new reporting reforms are no longer a risk. Those who do not adhere to the prescribed reporting according to the MBRR and the submission of the Budget reform returns to the National Treasury Local Government database will be regarded as non-compliant for publication purposes¹ (refer to paragraph 8.2).

Municipalities that are implementing the mSCOA must use the latest version of the mSCOA classification framework at the link below when compiling the 2016/17 MTREF

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

The MBRR Schedules will remain as is until further notice.

8.4 General

Municipalities use external service providers' e-mails as a result of weak or poor Information and Communication Technology (ICT). The affected municipalities are urged to use official e-mail addresses linked to the institution; therefore they must address the ICT challenges experienced.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001

Phone 012 315 5009

Fax 012 395 6553

Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh

Chief Director: Local Government Budget Analysis

07 March 2016

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

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Annexure A – Changes to Schedule A1 – the ‘Excel formats’

As noted above, National Treasury has released Version 2.8 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet/ Table	Amendment	Reason
1	A10	Cost of free basic services	Improve reporting of services provided including informal settlements.
2	SA1	Revenue foregone	Improve reporting on revenue foregone and cost of free basic services.
3	SA9	Provision of free basic services	To provide detailed breakdown of free basic services which links to A10.

Annexure B – Previous MFMA Circulars

Budget management issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55, 66, 67 and 70 with regards to the following issues:

1. Mayor's discretionary funds and similar discretionary budget allocation – National Treasury regards allocations that are not designated for a specific purpose to be bad practice and discourage them (refer to MFMA Circular 51).
2. Unallocated ward allocations – National Treasury does not regard this to be a good practice, because it means that the tabled budget does not reflect which ward projects are planned for purposes of public consultation and council approval (refer to MFMA Circular 51).
3. New office buildings – Municipalities are required to send detailed information to National Treasury if they are contemplating building new main office buildings (refer to MFMA Circular 51).
4. Virement policies of municipalities – Municipalities are reminded of the principles that must be incorporated into municipal virements policies (refer to MFMA Circular 51).
5. Providing clean water and managing waste water – Municipalities were reminded to include a section on 'Drinking water quality and waste water management' in their budget document (refer to MFMA Circular 54).
6. Renewal and repairs and maintenance of existing assets – Allocations to repairs and maintenance, and the renewal of existing infrastructure must be prioritised. Municipalities must provide detailed motivations in their budget documentation if allocations do not meet the required benchmarks set out in MFMA Circular 55 and 66.
7. Credit cards and debit cards linked to municipal bank accounts are not permitted – On 02 August 2011 National Treasury issued a directive to all banks informing them that as from 01 September 2011 they are not allowed to issue credit cards or debit cards linked to municipal bank accounts (refer to MFMA Circular 55).
8. Water and sanitation tariffs must be cost reflective - refer to MFMA Circular 66.
9. Solid waste tariffs – refer to MFMA Circular 70.
10. Variances between 4th Quarter section 71 results and annual financial statements – refer to Circular 67.
11. Additional In-Year reporting requirements – refer to MFMA Circular 67.
12. Appropriation statement (reconciliation: budget and in-year performance) - reference is made to circular 67. It came to the attention of National Treasury that a number of municipalities did not include the appropriation statement as part of their 2012/13 or 2013/14 annual financial statement. In terms of the Standards of GRAP 24 on the Presentation of Budget Information in Financial Statements, municipalities are required to present their original and adjusted budgets against actual outcome in the annual financial statements. This is considered an appropriation statement and the comparison between the budget and actual performance should be a mirror image of each other as it relates to the classification and grouping of revenue and expenditure as has been the case in a national and provincial context. This statement is subject to auditing and accordingly supporting documentation would be required to substantiate the compilation of this statement.
13. Eliminating non-priority spending – The 2013 MTBPS emphasised the need for government to step-up its efforts to combat waste, inefficiency and corruption (refer to MFMA circular 70).
14. Council oversight over the budget process – refer to MFMA Circular 70.

Conditional grant issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 and 67 with regards to the following issues:

1. Accounting treatment of conditional grants: Municipalities are reminded that in accordance with accrual accounting principles, conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by incurring expenditure in accordance with the conditions of the grant.
2. VAT on conditional grants: SARS has issued a specific guide to assist municipalities meeting their VAT obligations – **VAT 419 Guide for Municipalities**. To assist municipalities accessing this guide it has been placed on the National Treasury website at: <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>
3. Interest received and reclaimed VAT in respect of conditional grants: Municipalities are reminded that in MFMA Circular 48, National Treasury determined that:
 - Interest received on conditional grant funds must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions; and
 - 'Reclaimed VAT' in respect of conditional grant expenditures must be treated as 'own revenue' and its use by the municipality is not subject to any special conditions.
4. Appropriation of conditional grants that are rolled over – As soon as a municipality receives written approval from National Treasury that its unspent conditional grants have been rolled-over it may proceed to spend such funds (refer to MFMA Circular 51 for other arrangements in this regard).
5. Pledging of conditional grant transfers – the 2015 Division of Revenue Bill contained a provision that allows municipalities to pledge their conditional grants. The end date for the pledges is extended to 2017/18. The process of application as set out in MFMA Circular 51 remains unchanged.
6. Separate reporting for conditional grant roll-overs – National Treasury has put in place a separate template for municipalities to report on the spending of conditional grant roll-overs. Municipalities are reminded that conditional grant funds can only be rolled-over once, so if they remain unspent in the year in which they were rolled-over they MUST revert to the National Revenue Fund.
7. Payment schedule – National Treasury has instituted an automated payment system of transfers to municipalities in order to ensure appropriate safety checks are put in place. Only the primary banking details verified by National Treasury will be used for effecting transfers.
8. Conditional grant transfers/payments, the responsibilities of transferring and receiving authorities and the criteria for the rollover of conditional grants – It is important that the transfers made to municipalities' are transparent, and properly captured in the municipalities' budgets. MFMA Circular no: 67 in this regard refers. The criterion for the rollover of conditional grants is stipulated in MFMA Circular no: 51.

MBRR issues dealt with in previous MFMA Circulars

Municipalities are reminded to refer to MFMA Circulars 48, 51, 54, 55 with regards to the following issues:

1. Budgeting for revenue and 'revenue foregone' – The 'realistically anticipated revenues to be collected' that must be reflected on the Budgeted Statement of Financial Performance (Tables A2, A3 and A4) must exclude 'revenue foregone'. The definition

of 'revenue foregone' and how it is distinguished from 'transfers and grants' is explained in MFMA Circular 51.

2. Preparing and amending budget related policies – Information on all budget related policies and any amendments to such policies must be included in the municipality's annual budget document (refer to MFMA Circular 54).
3. 2013/14 MTREF Funding Compliance Assessment – All municipalities were required to perform the funding compliance assessment outlined in *MFMA Funding Compliance Guideline* and to include the relevant information outlined in MFMA Circular 55 in their 2015/16 budgets (refer to MFMA Circular 55).
4. Tabling a funded budget - It is critical that municipalities adopt and implement funded budgets as per Section 18 of the MFMA. Tables A7 and A8 which if completed correctly by the municipality, it will provide most of the information required to evaluate whether a municipality's operating and capital budgets are **funded** or not.

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Cost Containment Measures

Purpose

Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

In terms of the legal framework, the elected councils and accounting officers are required to institute appropriate measures to ensure that the limited resources and public funds are appropriately utilised to ensure value for money is achieved.

The purpose of this Circular is to guide municipalities and municipal entities on cost containment measures that must be implemented in an effort to address the impact of the country's economic challenges and to promote growth, address unemployment and equality, amongst others.

Background

The national government has been aware of the need to contain costs and Cabinet resolved that all spheres of government, including municipalities and municipal entities must implement measures to contain operational costs and eliminate all non-essential expenditure.

In the 2016 State of the Nation Address, cost containment measures were re-emphasised. It was highlighted that excessive and wasteful expenditure has to be reduced, and that increased action be taken to manage unnecessary expenditure. The following measures were among those announced:

- Curtailment of overseas trips;
- The submission of strong motivation to MM's, Mayors and, where necessary, oversight mechanisms at local, provincial and national spheres of Government by those requesting permission to travel either locally or abroad: i.e. their detailed report including research which argues the necessity of the trip and the benefit the country will achieve in undertaking the journey;
- The institutionalisation of further restrictions on conferences, catering, entertainment and social functions.

In reinforcing the above, the Minister of Finance also announced further cost containment measures in his budget speech on 24 February 2016, and urged Mayors of municipalities to exercise and oversee the elimination of wasteful

expenditure in government. SALGA supported the call for cost containment measures to be implemented in municipalities as per the Budget Forum engagements and commitments.

Municipalities must make clear and quantified commitments in this regard when tabling their upcoming budgets, and to reference these commitments when submitting budget documentation to the National and Provincial Treasuries, as required by the MFMA.

Annexure A of this circular presents cost containment measures that accounting officers and chief finance officers must consider in order to contain operational costs and eliminate non-essential expenditure. In addition, municipalities are advised to refer to MFMA Budget Circular No. 70 and other relevant Circulars on the elimination of non-priority spending (<http://mfma.treasury.gov.za/Circulars/Pages/default.aspx>).

Enforcement of cost containment measures

SALGA recently expressed concern over the lack of enforcement of such measures and municipal councils are herewith reminded of Section 171(1) of the MFMA whereby the accounting officer of a municipality commits an act of financial misconduct if that accounting officer deliberately or negligently contravenes a provision of the Act, or fails to comply with a duty imposed by the Act on the accounting officer of the municipality.

Failure to fulfill the duty outlined in section 62(1) (a) of the MFMA may result in the accounting officer committing an act of financial misconduct and that disciplinary or criminal proceedings are instituted against any official who has allegedly committed an act of financial misconduct or an offence in terms of chapter 15. The accounting officer also has a duty to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

In addition, section 167 of the MFMA provides that a municipality may only remunerate its office bearers within the parameters set out in that section. In particular, sub-section 167(2) provides that any benefit paid that is outside the parameters set out in subsection (1) is irregular expenditure and must be recovered from the political office-bearer concerned.

Details of precisely what a municipality may pay or remunerate its political office bearers are set out in the Notices issued in terms of the Political Office Bearers Act by the Minister of Cooperative Governance and Traditional Affairs.

Municipalities are reminded that the National Treasury will soon be conducting municipal budget benchmark engagements with non-delegated municipalities during which all municipal budgets will be assessed against the cost containment measures outlined in this Circular. Provincial Treasuries will be conducting similar engagements and budget assessments with delegated municipalities.

Consideration has been given to the lack of enforcement measures and therefore it is envisaged that regulations will be issued to align these measures with financial misconduct regulations. Disclosure of cost containment measures applied by the municipality and entity must be included in the Municipal Budget and Annual Report.

Measures implemented and regular reports must be submitted to the Municipal Public Accounts Committee for review and recommendations to Council on additional measures to be taken.

The contents of this Circular has been shared with the office of the Auditor-General for their application, scrutiny and assessment.

Conclusion

It is important that the accounting officer ensures that the content of this Circular is brought to the attention of the Municipal Council and all other relevant officials within municipalities and municipal entities. It is recommended that:

- Municipalities adopt this Circular together with their annual budgets;
- Municipalities are advised to review other finance related policies to ensure consistency with this Circular;
- Municipalities implement the circular by creating the appropriate oversight mechanisms to monitor cost containment measures;
- Implementation of such measures will assist in ensuring that the provisions of sections 62 and 167 of the MFMA are complied with to ensure that reasonable steps are taken for public resources to be used effectively, efficiently, economically and in the best interests of the local community.

Any queries relating to municipalities preparation of municipal budgets in line with the cost containment measures should be directed to the respective National or Provincial Treasury official responsible for monitoring the municipality's budget. The names of these officials can be obtained from MFMA Circular 79 and / or other related MFMA Circulars. This Circular must be tabled before the municipal council for adoption together with the 2016/17 MTREF budget.

Issued on behalf of:

Malijeng Ngqaleni
Intergovernmental Relations

Kenneth Brown
Chief Procurement Officer

Jayce Nair
Acting Accountant-General

Contact



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TV PILLAY
CHIEF DIRECTOR: MFMA IMPLEMENTATION
30 MARCH 2016

Annexure A – Cost Containment Measures

Cabinet resolved, on 23 October 2013 that cost containment measures must be implemented to eliminate wasteful expenditure, reprioritise spending and ensure savings on the following focus areas among others; engagement of consultants, travel and subsistence costs, issuing of credit cards, accommodation costs, office furnishing costs, advertising or sponsorship costs, catering and events related costs.

It is prudent that Municipalities consider consultation with its employees and through public participation to obtain input and consideration from affected stakeholders such as communities, ratepayers, businesses, and so on which may prove to be beneficial when facilitating the implementation of cost containment policies and actions.

Municipalities are advised to ensure appropriate monitoring and reporting on such cost saving measures is instituted for ease of reporting to management and council on progress on a regular basis. The internal audit unit of municipalities must be copied with such reports.

1. Engagement of Consultants

- Accounting Officers 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:
 - determined in the "Guidelines on fees for audits done on behalf of the Auditor-General South Africa", issued by the South African Institute of Chartered Accountants (SAICA);
 - set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA); or
 - 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, accounting officers must invoke such clauses, where deemed necessary.
- It is mandatory that accounting officers of municipalities and municipal entities conclude on the best "value for money", i.e. matching fees against quality and against benchmarked practices.
- Accounting officers of municipalities and municipal entities 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 and the contract price specifies all travel & 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 this Circular;
 - 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 this Circular;
 - d) Kilometres 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.

2. Travel and subsistence

The National Treasury, on behalf of all three spheres of government, has negotiated improved upfront discounts for flights as well as discounted accommodation rates. Therefore municipalities and municipal entities are requested to utilise these agreements to assist in their respective cost containment measures, unless they can negotiate lower air travel rates or utilise other service providers that offer lower rates.

Net and Non-Commissionable Rates

All rates offered to Government as of 1 April 2016 will be net and non-commissionable. This will include the informal accommodation market e.g. Guest Houses and Bed & Breakfast establishments.

Rebates, Overrides, Volume based income

In the spirit of transparency, the OCPO is taking a firm position on rebates, overrides or any volume driven target incentives being paid by suppliers to Travel Management Company (TMC). As of 1 April 2016 these payments and the practice of overrides is to discontinue for Government business.

2.1 National Travel Policy

The Treasury will implement a Government Travel Policy as of 1 April 2016. This will be available on the OCPO's website:

(http://ocpo.treasury.gov.za/Buyers_Area/Legislation/Pages/default.aspx)

2.2 Air Travel

- National Treasury has negotiated with the two "Full Service Carriers", i.e. SAA and BA for discounted rates for government officials for domestic air travel. (These rates are not applicable for International Air Travel.).
- For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.

- For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.
- Treasury will be entering into a short-term Corporate Agreement from 1 April 2016 to 30 September 2016 in the interim, where after the agreements will be reviewed with a view of longer term applicability.
- The premise of Best Fare on the Day will be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Other Low Cost Carriers may also be requested for quotations. Please note that all discounted rates are subject to class availability.
- Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agents name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.
- Accounting officers of municipalities and municipal entities are advised to include a clause in their respective documents that travel agencies are only permitted to make booking arrangements on behalf of municipalities and municipal entities in line with this Circular. Current arrangements need to be updated and amended to reflect these changes.
- Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

2.3 Domestic Hotel Accommodation

National Treasury has negotiated maximum allowable rates with four hotel groups. A non-exclusive MOU is being entered into with the hotels over a period of six months from 1 April to 30 September 2016 while National Treasury prepares for an open bid process. The hotels are as follows, Premier Group, Protea Hotels, City Lodge and Tsogo Sun. The instruction to travel agents must be to obtain quotes from each of the four hotels; however it is not necessarily limited to them as accommodation depends on availability, locality and rates, which could be lower. Competition and cost effectiveness must remain a key principle.

Table 1: Rates set for Domestic Hotel Accommodation

Accommodation Grid			
Voucher Includes	BAND 1	BAND 2	BAND 3
	Room Only Tourism Levy VAT	Bed & Breakfast Tourism Levy VAT	Dinner, Bed and Breakfast Tourism Levy VAT 2 x soft Drink at Dinner
Graded Hotel	BAND 1	BAND 2	BAND 3
1 Star property	R580.00	R710.00	R810.00
2 Star property	R650.00	R800.00	R925.00
3 Star property	R1,100.00	R1,200.00	R1,400.00
4 Star property	R1,250.00	R1,350.00	R1,550.00
5 Star property	R2,100.00	R2,200.00	R2,500.00
Bed & Breakfast or Guest house	BAND 1	BAND 2	BAND 3
1 Star property	-	R180.00	R270.00
2 Star property	-	R250.00	R350.00
3 Star property	-	R400.00	R520.00
4 Star property	-	R600.00	R750.00
5 Star property	-	R800.00	R975.00
S&T Allowance	BAND 1	BAND 2	BAND 3
Breakfast	R120.00	-	-
Lunch	R120.00	R120.00	-
Dinner	R150.00	R150.00	-
Total as per TP	R390.00	R270.00	-
S&T Claims accepted based on Travel Policy, detail include Parking, Laundry and Wi Fi Important Note: All other costs incurred are for the individuals account. Note: Consideration should be given to include such a table in policies.			

- Accounting officers must ensure that overnight accommodation is limited to instances where the distance travelled by road by the employee exceeds 500 kilometres to and from the destination (return journey).

2.4 Vehicle Hire

- Municipalities are encouraged to continue considering their own fleet first, where viable, prior to hiring of vehicles;
- Notwithstanding the provisions above, all employees must make use of shuttle services if the cost of such a service is below the cost of hiring a vehicle.
- Accounting officers must also consider making use of shuttle services if the cost of kilometres claimable by the employee and the cost of parking are higher than the shuttle services.
- Ensure the hiring of vehicles from a category below Group B or an equivalent class. Accounting officers may permit employees to accept up-graded group of

TMA

hired vehicles if such an up-grade is offered for free or at a lower charge than Group B.

- Vehicle travel claims by employees of municipalities and municipal entities must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme.

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 Catering costs

- Do not incur catering expenses 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 lasts for five (5) continuous hours or more:
 - a) The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings;

- b) Meetings related to commissions or committees of inquiry; or
- c) Meetings hosted by the board of directors of municipal entities, including governance committee meetings.
- Ensure that entertainment allowances of qualifying officials do not exceed two thousand rand (R2 000) per person per financial year. The National Treasury may periodically review this amount.
- Do not incur expenses 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:
 - (a) proceeding on retirement due to ill health; or
 - (b) proceeding on retirement after reaching the qualifying age limit of a minimum of ten (10) or more years working for the public service.
- Accounting officers and accounting authorities 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.

5 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 by municipalities and municipal entities 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.

6 Conferences, meetings, study tours, etc.

- Employees of municipalities and municipal entities may attend conferences hosted by professional bodies or non-governmental institutions (external conferences) held within the borders of South Africa provided that expenses related to their attendance do not exceed two thousand five hundred rand (R2 500) per person per day. The number of municipal officials attending such conferences and workshops must be limited, see below. The National Treasury may periodically review this amount.

- Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable.
- Conferences abroad must be limited to its ultimate minimum or none at all.
- Utilise municipal and/or provincial office facilities for conferences, meetings, strategic planning sessions etc. where an appropriate venue exists within the municipal jurisdiction.
- Limit or stop overseas trips and the delegations going on such trips unless a tangible and clear benefit to the local community and performance of essential service provision can be established beforehand.
- The number of employees travelling to conferences or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.
- Similar to the above, the number of employees travelling by air to other centres to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

7 Office furnishing

- 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.

8 Staff study, perks and suspension costs

- Training attended by employees and councillors of municipalities and municipal entities may only be attended at pre-approved service providers to ensure sufficient quality of training and 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.

9 Cost containment on other related expenditure items

- Accounting officers of municipalities and municipal entities are advised to ensure that all commodities and products that the National Treasury designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.

APPROVED TARIFFS FOR 2016/17 FINANCIAL YEAR



FETAKGOMO/TUBATSE MUNICIPALITY LIM476

Approved Tariffs 2016/17 Financial Year

ASSESSMENT RATES	2015/16 c/R 6% increase	2016/17 c/R No increase	2017/18 c/R No increase
Burgersfort Steelpoort Ohrigstad Ga-Mapodile Tubatse Mecklenburg			
Residential Stands	c/R	c/R	c/R
Residential 1	0.0093	0.0093	0.0093
Indigent family & child headed family (If qualify in terms of Rates Policy a rebate of)	100%	100%	100%
Pensioners (If qualify in terms of the Rates Policy a rebate of)	40%	40%	40%
Residential 2	0.0093	0.0093	0.0093
Residential 3	0.0093	0.0093	0.0093
Developers			
Developers (Remaining portion of the farm.) (Residential Tariff Less Discount of.....)	20%	20%	20%
Agricultural			
Agricultural	0.0240	0.0240	0.0240
Agricultural (Business portion)	0.0185	0.0185	0.0185
Farms with mining 1	0.0372	0.0372	0.0372
Business Stands			
Businesses, as well as Guest Houses in Urban areas with services	0.0185	0.0185	0.0185
Business included Guest Houses without Services.(Business tariff less Discount of	30%	30%	30%
Businesses /Industrial			
	0.0185	0.0185	0.0185
Mining			
	0.0372	0.0372	0.0372
Illegal Usage			
	0.0372	0.0372	0.0372

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Municipal Properties	Exempted	Exempted	Exempted	Exempted
Public Infrastructure (PSI)	Exempted	Exempted	Exempted	Exempted
Public Benefit organizations(as defined in the rates policy)	Exempted	Exempted	Exempted	Exempted
Public Worship (Churches)	Exempted	Exempted	Exempted	Exempted
Government Properties				
Government:Farms	0.0240	0.0240	0.0240	0.0240
Government : Farms With Mining 1	0.0372	0.0372	0.0372	0.0372
Government: Residential	0.0093	0.0093	0.0093	0.0093
Government: Public Institutions	0.0185	0.0185	0.0185	0.0185
Public Health Care Institution (as defined in policy a rebate of)	50%	50%	50%	50%
Independent Schools (as defined in policy a rebate of)	50%	50%	50%	50%
Other	R 33.04	R 33.04	R 33.04	R 33.04
Issue of Memorandum to Attorneys for Transport of	R 132.18	R 132.18	R 132.18	R 132.18
Issue of Clearance Certificate	R 132.18	R 132.18	R 132.18	R 132.18
Issue Of Valuation Certificate	R 826.11	R 826.11	R 826.11	R 826.11
Issue of Valuation Roll	R 281.96	R 281.96	R 281.96	R 281.96
Non Refundable Tender Deposit 80/20 principle	R 561.80	R 561.80	R 561.80	R 561.80
Non Refundable Tender Deposit 90/10 principle				
Interest of prime plus 1% on outstanding amounts more than 30 days				
<i>All tariffs are VAT exclusive</i>				
BULK CONTRIBUTIONS	2015/16	2016/17	2017/18	
	c/R	c/R	c/R	
	0% increase	6% increase	6% increase	
Roads & Streetlights	Calculate by Te	Calculate by Te	Calculate by Tec	
Bulk Contribution per unit (Residential)				
Roads & Streetlights	Calculate by Te	Calculate by Te	Calculate by Tec	
Bulk Contribution per unit (Business)				
Interest of prime plus 1% on outstanding amounts more than 30 days	Prime plus 1%	Prime plus 1%	Prime plus 1%	
<i>All tariffs are VAT exclusive</i>				

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REFUSE		2015/16 c/R 10% increase	2016/17 c/R 6% increase	2017/18 c/R 6% increase
Indigent People	Income per household less than R3 500 per month or as amended by Council	Free	Free	Free
Residential 1 Stands		R -	R -	R -
		R -	R -	R -
From 1 July 2012		Free	Free	Free
Only on improved stands	Valuation (R1 -50000)	R 133.10	R 133.10	R 133.10
	Valuation (R51,000 -500,000)	R 199.65	R 199.65	R 199.65
	Valuation (R500,001 -1,000,000)	R 266.20	R 266.20	R 266.20
	Valuation (R1,000,000 and more)	R 133.10	R 133.10	R 133.10
Residential 2 & 3 Stands	Per unit			
From 1 July 2012 per unit		R 133.10	R 133.10	R 133.10
	Valuation (R51,000 -500,000)	R 199.65	R 199.65	R 199.65
	Valuation (R1,000,000 and more)	R 266.20	R 266.20	R 266.20
Block of flats				
	Per 100sqm or part thereof of the floor area	R 121.00	R 121.00	R 121.00
Businesses, Hotels Industries				
	0 to 1000 sqm	R -	R -	R -
	1001 and more per additional 1000sqm	R -	R -	R -
From 1 July 2012				
	Per sqm of building	R 2.66	R 2.66	R 2.66
From 1 July 2013				
	Up to 300sqm or part thereof of the floorarea of building	R 544.50	R 544.50	R 544.50
	Thereafter per 100sqm or part thereof	R 121.00	R 121.00	R 121.00

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Containers	Removal once a week	R 1 496.23	R 1 496.23	R 1 496.23	R 1 496.23
For the removal of refuse where a mass container is specifically supplied for use by a specific premises per container per removal	Removal twice a week	R 2 992.43	R 2 992.43	R 2 992.43	R 2 992.43
	Removal three times a week	R 4 488.66	R 4 488.66	R 4 488.66	R 4 488.66
	Removal five times per week	R 7 481.09	R 7 481.09	R 7 481.09	R 7 481.09
State supported schools,technicons colleges and universities					
	0 to 1000 sqm	R 123.22	R 123.22	R 123.22	R 123.22
	1001 and more per additional 1000sqm	R 176.03	R 176.03	R 176.03	R 176.03
	From 1 July 2013	R 302.50	R 302.50	R 302.50	R 302.50
Churches	Fix charge	R 264.04	R 264.04	R 264.04	R 264.04
OTHER					
Disposal at Landfill site (garden refuse)	Maximum pay- load of vehicle less than 750kg	Free	Free	Free	Free
	More than 750kg	R 212.98	R 212.98	R 212.98	R 212.98
	From 1 July 2013(Weighbridge Fees)	R 43.56	R 43.56	R 43.56	R 43.56
Cleaning of					
Vacant Stands or sidewalks	Per square meter for cutting or cleaning of rubbish on	R 4.83	R 4.83	R 4.83	R 4.83
Purchase of Refuse Bin	Per square meter for removing the cuttings or rubbish	R 1.94	R 1.94	R 1.94	R 1.94
		Cost plus 10%	Cost plus 10%	Cost plus 10%	Cost plus 10%
Removing non-perishable refuse	Per removal	R 598.95	R 598.95	R 598.95	R 598.95
		R -	R -	R -	R -
Carcass Removal	Calf,Cat,Sheep,Foal,Goat,Lamb,Pig or poultry	R 79.86	R 79.86	R 79.86	R 79.86
	Any other animal	R 159.72	R 159.72	R 159.72	R 159.72
	Maximum charge per removal	R 399.30	R 399.30	R 399.30	R 399.30
Developers Contribution	New developments and subdivisions per new stand	R 665.50	R 665.50	R 665.50	R 665.50
Interest on outstanding amounts more than 30 days		Prime plus 1%	Prime plus 1%	Prime plus 1%	Prime plus 1%
<i>All tariffs are VAT exclusive</i>					
CEMETRIES					
		2015/16	2016/17	2017/18	
		c/R	c/R	c/R	
		0% increase	0% increase	0% increase	0% increase

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Ohrigstad(Residents)	R	745.47	R	745.47	R	745.47	R	745.47
Ohrigstad(Non -Residents)	R	1 064.96	R	1 064.96	R	1 064.96	R	1 064.96
Burgersfort(Residents)	R	745.47	R	745.47	R	745.47	R	745.47
Burgersfort(Non-Residents)	R	1 064.96	R	1 064.96	R	1 064.96	R	1 064.96
Ga-Mapodile(Residents)	R	532.48	R	532.48	R	532.48	R	532.48
Ga-Mapodile(Non-Residents)	R	745.43	R	745.43	R	745.43	R	745.43
Praktiseer(Residents)	R	532.48	R	532.48	R	532.48	R	532.48
Praktiseer(Non -Residents)	R	745.43	R	745.43	R	745.43	R	745.43
Residents of Steelpoort if buried in any of the other cemeteries will be treated as residents								
<i>All tariffs are VAT exclusive</i>								
LIBRARIES		2015/16		2016/17		2017/18		
		c/R		c/R		c/R		
		0% increase		0% increase		0% increase		
Membership Fees per year	Scholars	R 87.13	R	87.13	R	87.13	R	87.13
	Students	R 135.54	R	135.54	R	135.54	R	135.54
	Other	R 232.36	R	232.36	R	232.36	R	232.36
	Household	R 228.84	R	228.84	R	228.84	R	228.84
	Institutional	R 264.04	R	264.04	R	264.04	R	264.04
Renewal of Membership	Renewal of membership	R 48.41	R	48.41	R	48.41	R	48.41
Photocopies (per page - all sizes)		R 5.80	R	5.80	R	5.80	R	5.80
Photocopies (per page - all sizes)	school kids	R 1.50	R	1.50	R	1.50	R	1.50
RENT/HIRE OF MUNICIPAL PROPERTIES								
1.Ga-Mapodile Centre								
Refundable Deposit		R 708.76	R	708.76	R	708.76	R	708.76

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	Rental per square meter	R	60.50	R	60.50	R	60.50
	2. Tubatse/Praktiseer offices						
	Refundable Deposit	R	354.38	R	354.38	R	354.38
	Rental per square meter	R	36.30	R	36.30	R	36.30
	3. Council Old Chamber						
	Refundable Deposit	R	496.13	R	496.13	R	496.13
	Rental per square meter	R	36.30	R	36.30	R	36.30
	All tariffs are VAT exclusive						
	BUILDING PLAN FEES						
	New buildings:- a) up to 150m ² (per square meter)						
	New buildings:-b) on balance above 150m ²						
2	Minimum payable	R	288.04	R	288.04	R	288.04
3	Additions to existing buildings						
	Alterations to or inside existing building (per square meter)						
4	Minimum payable	R	288.04	R	288.04	R	288.04
	Amended plans/Redesign/new proposal (after submission)						
5	Minimum payable	R	288.04	R	288.04	R	288.04
	Engineers design/Concrete slabs/structures/Timber structures(per square meter)						
6	Minimum payable	R	285.32	R	285.32	R	285.32
	Engineers design/Steel structures(per square meter)						
7	Minimum payable	R	288.04	R	288.04	R	288.04
	Sewage/drainage plan(per square meter)						
8	Minimum payable	R	288.19	R	288.19	R	288.19
	Renewal of plans within one year after lapsing (approval of plans lapses 12 months after approval)						
9	Minimum payable	R	144.02	R	144.02	R	144.02

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	Renewal of plans within two years after lapsing (approval of plans lapses 12 months after approval)	100% of calculated fees	100% of calculated fees	100% of calculated fees
10	Minimum payable	R 288.04	R 288.04	R 288.04
	Preliminary Sketch plans	50% of calculated fees.	50% of calculated fees.	50% of calculated fees.
11	Minimum payable	R 144.02	R 144.02	R 144.02
	Government plans (Not to be approved/disapproved) only for information	zero	zero	zero
12	Minimum payable	zero	zero	zero
	Local Authority plans. To be approved/disapproved as all other plans	zero	zero	zero
13	Minimum payable	zero	zero	zero
	Low Cost housing plans. To be approved/disapproved as all other plans(per square meter)	R4.02/m ²	R4.02/m ²	R4.02/m ²
14	Minimum payable	R 288.04	R 288.04	R 288.04
	Application to commence construction of building prior to approval of plans (section 7(6) of NBR)	R5.72/m ²	R5.72/m ²	R5.72/m ²
15	Minimum payable	R 640.09	R 640.09	R 640.09
	Application for consent to occupy before occupation certificate is issued. (Section 14[1A])	R2-93/m ²	R2-93/m ²	R2-93/m ²
16	Minimum payable	R 640.09	R 640.09	R 640.09
	Demolition Permit			
17		R 640.09	R 640.09	R 640.09
18	Swimming pool	R 320.05	R 320.05	R 320.05
19	Minor building works (Section 13 of NBR)	R 320.05	R 320.05	R 320.05
20	Reroofing.	R 320.05	R 320.05	R 320.05
21	Fuel pumps, Fuel storage, Tanks and Gas installations	R 1 030.33	R 1 030.33	R 1 030.33
	Installation of Masts:-	R 1 040.16	R 1 040.16	R 1 040.16
	Ground based			
21	Roof top based	R 1 040.16	R 1 040.16	R 1 040.16
	Installation of Masts:-			
	Ground based	R 1 040.16	R 1 040.16	R 1 040.16
22	Roof top based	R 1 040.16	R 1 040.16	R 1 040.16
23	Freestanding walls/boundary	R 320.05	R 320.05	R 320.05
24	Occupation certificate	R 128.02	R 128.02	R 128.02
25	Building plans submitted in informal settlements	R 288.04	R 288.04	R 288.04
	Sidewalk deposit/Guarantee:	R126.51/m ²	R126.51/m ²	R126.51/m ²
	Developed sidewalks			
	Landscaped sidewalks (per square meter)	R95.17/m ²	R95.17/m ²	R95.17/m ²

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	BUILDING PLAN FEES (continue)			
		2015/16 c/R 0% increase	2016/17 c/R 0% increase	2017/18 c/R 0% increase
26	Sidewalk Rentals:-			
	0m ² to 50m ²	R 13.21	R 13.21	R 13.21
	51m ² to 100m ²	R 12.32	R 12.32	R 12.32
	101m ² to 150m ²	R 11.44	R 11.44	R 11.44
	151m ² to 200m ²	R 10.56	R 10.56	R 10.56
	201m ² and more	R 9.68	R 9.68	R 9.68
27	Re-Inspection Fee	R 493.68	R 493.68	R 493.68
28	Plumber's Registration Fee	R 387.20	R 387.20	R 387.20
29	Electrician's Registration Fee	R 387.20	R 387.20	R 387.20
	Contractor's Registration	R 2 101.77	R 2 101.77	R 2 101.77
	Registrations fee	R 196.02	R 196.02	R 196.02
	<i>All tariffs are VAT exclusive</i>			
	APPLICATIONS FEES IN TERMS OF THE TOWN PLANNING & TOWNSHIPS ORDIN			
		2015/16 c/R 0% increase	2016/17 c/R 0% increase	2017/18 c/R 0% increase
	Application Type			
	Section 96 (Township Establishment)	R 4 800.70	R 4 800.70	R 4 800.70
	Section 99 (Phasing)	R 3 200.47	R 3 200.47	R 3 200.47
	Section 96(4) Substantial change of Township	R 3 200.47	R 3 200.47	R 3 200.47
	Section 100 (Consent to amendment of documents)	R 3 200.47	R 3 200.47	R 3 200.47
	Section 88 (Extension of boundaries)	R 3 200.47	R 3 200.47	R 3 200.47
	Section 125 (Amendment scheme/incorporation of Township into Town Planning Scheme)	R 800.12	R 800.12	R 800.12
	Section 125 (When Map3 is generated by municipality)	R 42.35	R 42.35	R 42.35
		R 423.50	R 423.50	R 423.50
	Section 56 (Amendment of Town Planning scheme)	R 1 600.23	R 1 600.23	R 1 600.23
	Generation of Map 2 or 3, consolidation or subdivision & any other diagram by municipality	R 605.00	R 605.00	R 605.00

	Substantial Amendment of Section 56 or 125 applications	R	1 600.23	R	1 600.23	R	1 600.23
	Promulgation of an amendment scheme (where it is done by municipality)	R	968.00	R	968.00	R	968.00
	Section 62 & 63 (including revoking of a provision in an approved scheme or revoking the scheme)	R	1 600.23	R	1 600.23	R	1 600.23
	Section 92(1)(a) (Subdivision of a Property)	R	960.14	R	960.14	R	960.14
	Section 92(1)(b) (Consolidation of Properties)	R	960.14	R	960.14	R	960.14
	Section 92(4) (a) & (b) (Amendment of subdivision /consolidation of plan or condition of approval or cancellation of approval)	R	-	R	-	R	-
	Applications in terms of the Greater Tubatse Land Use Scheme 2006						
	Clause 21(special consent)-application fee	R	960.14	R	960.14	R	960.14
	Clause 22 (Written consent)-application fee	R	1 600.23	R	1 600.23	R	1 600.23
	Relaxation of Building Line(Penalty per encroachment)	R	1 502.57	R	1 502.57	R	1 502.57
	Relaxation of parking requirements(Application Fee)	R	3 200.47	R	3 200.47	R	3 200.47
	Relaxation of parking requirements(Penalty per parking)	R	6 050.00	R	6 050.00	R	6 050.00
	Relaxation of parking requirements	R	3 200.47	R	3 200.47	R	3 200.47
	Site development plan (SDP)	R	1 280.19	R	1 280.19	R	1 280.19
	Site development plan (SDP) if application includes re	R	1 600.23	R	1 600.23	R	1 600.23
	Application in ters of Division of Land Ordinance 20 of 1986						
	Section 6(4) Division of land (farm land)	R	1 600.23	R	1 600.23	R	1 600.23
	Section 17 Amendment or deletion of a condition or co	R	1 600.23	R	1 600.23	R	1 600.23
	Other						
	Zoning Certificate	R	48.01	R	48.01	R	48.01
	Notarial fee application	R	1 600.23	R	1 600.23	R	1 600.23
	Call out per case/ site/ erf	R	1 815.00	R	1 815.00	R	1 815.00
	Application in terms of Local Government Ordinance No 17 of 1939						
	Section 67 (Street closure)(Permanent or partial)	R	960.14	R	960.14	R	960.14
	Section 68 (Park Closure)(permanent or partial)	R	960.14	R	960.14	R	960.14
	Application in terms of Proclamation R188of 1988						

Permission to Occupy(PTO)	R	160.02	R	160.02	R	160.02
Business Rights	R	400.07	R	400.07	R	400.07
Transfer of Ownership(Business)	R	400.07	R	400.07	R	400.07
Other (Social Uses i.e. church,school,clinic etc)	R	160.02	R	160.02	R	160.02
Other Notes						
No fee is payable for applications on Council Land only if Council is the developer or co-developer						
No application fee is payable if application is linked to Government Tax Incentive Scheme						
Application fees can only be refunded if processing has not been initiated. No partial refunds shall be con						
In all instances the responsibility is on the applicant to circulate the application to all external bodies						
and to advertise the application as required by applicable statutes						
All tariffs are VAT exclusive						
TARRIFFS FOR DOCUMENTS						
IDP/ Budget	R	484.07	R	484.07	R	484.07
Municipal Code (By laws and policies)	R	968.15	R	968.15	R	968.15
Photocopies (per page - all sizes)	R	4.81	R	4.81	R	4.81
Building plans	R	96.82	R	96.82	R	96.82
GIS Maps : A0	R	141.75	R	141.75	R	141.75
A1	R	113.40	R	113.40	R	113.40
A2	R	85.05	R	85.05	R	85.05
A3	R	42.53	R	42.53	R	42.53
A4	R	21.26	R	21.26	R	21.26
All tariffs are VAT exclusive						

	2015/16 c/R 10% increase	2016/17 c/R 10% increase	2017/18 c/R 10% increase
PART C			
1. Billboards			
Application fee (per application)	R 605.00	R 605.00	R 605.00
Fee	R 90.75	R 90.75	R 90.75

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Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	1573.00	R	1573.00	R	1573.00	R	1573.00
2. Streetname Ad	R	605.00	R	605.00	R	605.00	R	605.00
Application fee (per application)	R	90.75	R	90.75	R	90.75	R	90.75
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	605.00	R	605.00	R	605.00	R	605.00
Confiscation Fee								
3. Street Furniture								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	90.75	R	90.75	R	90.75	R	90.75
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	1573.00	R	1573.00	R	1573.00	R	1573.00
4. Temporary Ads/Posters								
Application fee (per application)	R	302.50	R	302.50	R	302.50	R	302.50
Fee	R	18.15	R	18.15	R	18.15	R	18.15
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	302.50	R	302.50	R	302.50	R	302.50
5. 3-D signs								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	90.75	R	90.75	R	90.75	R	90.75
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	1573.00	R	1573.00	R	1573.00	R	1573.00
6. Suburban Name Ads								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	30.25	R	30.25	R	30.25	R	30.25
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00
7. Banner & Flags								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	30.25	R	30.25	R	30.25	R	30.25
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00
8. Illuminated Ads								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	30.25	R	30.25	R	30.25	R	30.25
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00

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Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	145.20	R	145.20	R	145.20	R	145.20
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	1573.00	R	1573.00	R	1573.00	R	1573.00
9. Estate Agents/For Sale Ads								
Application fee (per application)	R	-	R	-	R	-	R	-
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	907.50	R	907.50	R	907.50	R	907.50
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00
10. Election Posters per political party								
Application fee (per application)	R	3025.00	R	3025.00	R	3025.00	R	3025.00
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	3025.00	R	3025.00	R	3025.00	R	3025.00
11. Aerial Ads								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	90.75	R	90.75	R	90.75	R	90.75
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	-	R	-	R	-	R	-
12. Third party ads-Sky ads , Roof signs, Flat Ads, Verandah Ads, Canopy Ads, Window Ads, Building Ads, Business Ads Tower Signs								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	181.50	R	181.50	R	181.50	R	181.50
Confiscation Fee	R	-	R	-	R	-	R	-
13. Trailers								
Application fee (per application)	R	-	R	-	R	-	R	-
Fee	R	302.50	R	302.50	R	302.50	R	302.50
Annual Licence Fee	R	-	R	-	R	-	R	-
Confiscation Fee	R	-	R	-	R	-	R	-
14. Projects Boards and Development Ads								
Application fee (per application)	R	302.50	R	302.50	R	302.50	R	302.50
Fee	R	-	R	-	R	-	R	-

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Annual Licence Fee	R	605.00	R	605.00	R	605.00	R	605.00
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00
15. Road Traffic Signs								
16. On premises Signs (Restricted to advertising of onsite business/products only)								
Application fee (per application)	R	605.00	R	605.00	R	605.00	R	605.00
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	605.00	R	605.00	R	605.00	R	605.00
Confiscation Fee	R	-	R	-	R	-	R	-
17. Service Facility Signs								
Application fee (per application)	R	302.50	R	302.50	R	302.50	R	302.50
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	605.00	R	605.00	R	605.00	R	605.00
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00
18. Tourism Signs								
Application fee (per application)	R	302.50	R	302.50	R	302.50	R	302.50
Fee	R	-	R	-	R	-	R	-
Annual Licence Fee	R	605.00	R	605.00	R	605.00	R	605.00
Confiscation Fee	R	605.00	R	605.00	R	605.00	R	605.00
Note Building plan approval fees for approval of the structure, building line relaxation fees and height relaxation fees can also be charged								
Above fees do not cover for advertisements put out on tender by Council and awarded under a fixed contract such as illuminated street name advertisements, litter bins; suburban name signs, bus shelter signage, billboards on Municipal Land ,etc.								

These tariffs will be annually reviewed and published by Council

**ADMISSION OF GUILT
FOR THE CONTROL OF OUTDOOR ADVERTISING IN
THE GREATER TUBATSE MUNICIPALITY MUNICIPAL AREA**

FINES

	2015/16 c/R 10% increase	2016/17 c/R 10% increase	2016/17 c/R 10% increase
Amenity and Decency.	R 1 760.26	R 1 760.26	R 1 760.26
Safety	R 1 760.26	R 1 760.26	R 1 760.26
Design and Construction	R 1 760.26	R 1 760.26	R 1 760.26
Maintenance	R 1 760.26	R 1 760.26	R 1 760.26
Position	R 1 760.26	R 1 760.26	R 1 760.26
Illumination	R 1 760.26	R 1 760.26	R 1 760.26
Billboards			
Advertisement Boards less than 5 square meters(per side)	Replaced	Replaced	Replaced

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	Advertisement Boards less than 18 square meters(per side)	See Part C Billb	See Part C Bi	See Part C Billbo
14	Advertisement Boards less than 18 square meters(per side)			
	Non Illuminated Gantry Sign(per square meter)			
	Illuminated Gantry Sign (per square)meter			
	City Light/Spectacular			
	Empty side/Boards			
	Empty site			
	Empty site			
	Generic Boards			
15	Advertisements on Street Furniture			
16	Banners			
17	Flags			
18	Suburban Advertisements			
19	Estate Agent's Boards			
20	Temporary Direction Indicators for Show Houses			
21	Advertisements for the Sale of Goods and Livestock			
22	Auction Posters			
23	Posters			
24	Project Boards			
25	Development Advertisements			
26	Construction Site Advertisements			
27	Street name Advertisements			
28	Security Advertisements			
29	Product Replicas and Three Dimensional Advertisements			
30	Sky Sign			
31	Roof Sign			
32	Flat Sign			
33	Projecting Sign			
34	Balcony or under warming Advertisements			
35	Signs Pointed on Building, Boundary Walls and Roofs			
36	Window Signs			
37	Forecourt Advertisements			
38	Residential or Community Advertisements			
39	On-Premises Business Advertisements			

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40	Tower Bridge and Pylon Advertisements					
41	Advertisements for Sponsored Road Traffic Projects					
42	Advertising for Educational Institutions					
43	Service Facility Advertisements					
44	Tourism Sign					
45	Aerial Advertisements					
46	Trailer Advertising					
47	Pamphlets					
	Prohibited Signs					
ARTICLE 11	<u>All Tariffs are Vat Exclusive</u>					
4	FINES	2015/16 c/R 10% increase	2016/17 c/R 10% increase	2016/17 c/R 10% increase		
		R 2 640.39	R 2 640.39	R 2 640.39		
10	APPROVAL OF PLANS	R 880.14	R 880.14	R 880.14		
	Erecting of a structure without approved plan					
	ERECTION OF BUILDING IN CERTAIN CIRCUMSTANCES SUBJECT TO PROHIBITION OR CONDITION					
	Buildings not in the interest of good health or hygiene. Buildings unsightly or objectionable. Buildings be a nuisance to occupiers, of adjoining neighbouring properties.					
12	DEMOLITION AND ALTERATION OF CERTAIN BUILDINGS	R 1 760.26	R 1 760.26	R 1 760.26		
	Owner fail to comply to written notice from Local Authority to comply with the provisions of this section. If building is dilapidated or in a state of disrepair or show signs thereof; if a building or land on which a building was or being erected is dangerous or showing signs of becoming dangerous to life or property.					
14						

7/2



15	<p>OCCUPY WITHOUT CERTIFICATE OF OCCUPANCY</p> <p>HINDERS OR OBSTRUCT ANY AUTHORIZED PERSON TO ENTER A BUILDING OR LAND TO PERFORM DUTIES</p>	R	2 640.39	R	2 640.39
		R	880.14	R	880.14
ARTICLE					
A15	<p>FINES</p>	<p>2015/16 c/R 10% increase</p>	<p>528.08</p>	<p>2016/17 c/R 10% increase</p>	<p>528.08</p>
	<p>INSTALLATIONS /MAINTENANCE AND OPERATION</p> <p>Fail to ensure that any service installation provided in or in connection with a building be maintained in a safe and properly working condition.</p>				
A18	<p>CONTROL OF PLUMBERS AND PLUMBING WORK</p>	R	528.08	R	528.08
A22	<p>Plumbing work done by untrained and unlicensed plumbers</p>	R	880.14	R	880.14
A25	<p>NOTICE TO COMMENCE ERECTION OR DEMOLISHING OF A BUILDING AND NOTICE OF INSPECTION</p> <p>Fail to request for inspection. Placing of concrete before inspection.</p>	R	880.14	R	880.14
D4	<p>GENERAL ENFORCEMENT</p> <p>Deviation from approved plan. Use of building for other purposes than shown on approved plan.</p>	R	440.07	R	440.07
	<p>SWIMMING POOLS</p>				

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ARTICLE	B. REGULATIONS (continue)	2015/16 c/R 10% increase	2016/17 c/R 10% increase	2016/17 c/R 10% increase
F1	FINES	R 1 408.20	R 1 408.20	R 1 408.20
	PROTECTION OF THE PUBLIC			
	Fail to erect a fence hoarding or barricade to ensure public safety at the building site.			
F6	CONTROL OF DUST AND NOISE	R 880.14	R 880.14	R 880.14
	Fail to take precaution to limit noise and dust during excavations, alterations or construction.			
	Demolishing of buildings or constructing of a building. Working during prohibited periods.			
F7	CUTTING INTO, LAYING OPEN AND DEMOLISH CERTAIN WORK	R 880.14	R 880.14	R 880.14
	Fail to supply proof that work is in accordance with regulations.			
F8	WASTE MATERIAL ON SITE	R 528.08	R 580.89	R 638.98
	Fail to cease construction in terms of this regulation.			
	Accumulating of excessive waste, rubbish or other debris on site during or after construction.			
F9	CLEANING OF SITE	R 880.14	R 968.15	R 1 064.97
	Fail to remove surplus material or debris from site, or public Street after completion.			
F10	BUILDER'S SHEDS	R 880.14	R 880.14	R 880.14
	Shed used or constructed in contravention of this regulation.			
F11	SANITARY FACILITIES	R 440.07	R 440.07	R 440.07
	Fail to provide sanitary facilities for the workers.			
P1	COMPULSORY DRAINAGE BUILDINGS	R 1 760.26	R 1 760.26	R 1 760.26
	No suitable disposal of waterborne sewerage.			
P3	CONTROL OF OBJECTIONABLE DISCHARGE	R 880.14	R 880.14	R 880.14
	Cause storm water to be discharge in sewer system.			

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P4	INDUSTRIAL EFFLUENT	Cause sewerage to be discharged in storm water system.	R 880.14	R 880.14	R 880.14
P5		Discharge of industrial effluent in sewer system without Local Authority approval,			
P6	DISCONNECTION	Fail to seal drainage connection after disconnecting from drain.	R 440.07	R 440.07	R 440.07
P7	UNAUTHORISED DRAINAGE WORK	Interfere with or illegal connecting of sewer.	R 352.05	R 352.05	R 352.05
G1	INSPECTION AND TESTING OF DRAINAGE AND INSTALLATION	Fail to test drainage installation before put into use.	R 352.05	R 352.05	R 352.05
	EXCAVATION	Fail to maintain excavation in safe condition and to take precautionary measures. Fail to obtain written authorisation of Local authority for excavations for more than 3 metres deep.	R 1 760.26	R 1 760.26	R 1 760.26
T2	FIRE PROTECTION	Insufficient fire extinguisher. Fail to maintain and service fire extinguishers. Obstruction of emergency escape routes. Fail to comply to General requirement of T1 of this regulation.	R 1 408.20	R 1 408.20	R 1 408.20

All tariffs are VAT exclusive

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2018/19 c/R No increase	
c/R	
0.0093	
100%	
40%	
0.0093	
0.0093	
20%	
0.0240	
0.0185	
0.0372	
0.0185	
30%	
0.0185	
0.0372	
0.0372	

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Exempted
Exempted
Exempted
Exempted
0.0240
0.0372
0.0093
0.0185
50%
50%
R 33.04
R 132.18
R 132.18
R 826.11
R 281.96
R 561.80
2018/19 c/R 6% increase
Calculate by Tech
Calculate by Tech
Prime plus 1%

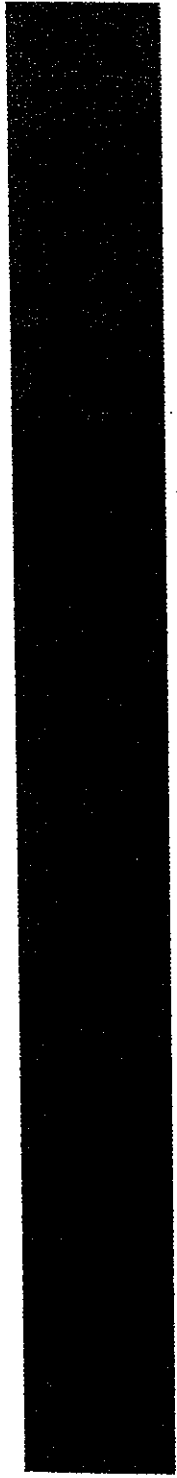
72

2018/19 c/R 6% increase	
Free	
R	-
R	-
R	-
Free	
R	133.10
R	199.65
R	266.20
R	133.10
R	133.10
R	199.65
R	266.20
R	121.00
R	-
R	-
R	-
R	2.66
R	544.50
R	121.00

77

R	745.47
R	1 064.96
R	745.47
R	1 064.96
R	532.48
R	745.43
R	532.48
R	745.43
2018/19	
c/R	
0% increase	
R	87.13
R	135.54
R	232.36
R	228.84
R	264.04
R	48.41
R	5.80
R	1.50
R	708.76

77



R	60.50
R	354.38
R	36.30
R	496.13
R	36.30
2018/19 c/R 0% increase	
R	R4.41 /m ² Straight
R	288.04
Same as nr1	
R	R4.41/m ²
R	288.04
R4.41/m ²	
R	288.04
R2-70/m ²	
R	285.32
R2-70/m ²	
R	288.04
R2-57/m ²	
R	288.19
50% of calculated fees.	
R	144.02

7/1



100% of calculated fees	R 288.04
50% of calculated fees.	
R 144.02	
zero	
zero	
zero	
zero	
R4.02/m ²	
R 288.04	
R5.72/m ²	
R 640.09	
R2-93/m ²	
R 640.09	
R 640.09	
R 320.05	
R 320.05	
R 320.05	
R 1 030.33	
R 1 040.16	
R 1 040.16	
R 1 040.16	
R 1 040.16	
R 320.05	
R 128.02	
R 288.04	
R126.51/m ²	
R95.17/m ²	

77

2018/19 c/R 0% increase
R 13.21
R 12.32
R 11.44
R 10.56
R 9.68
R 493.68
R 387.20
R 387.20
R 2 101.77
R 196.02

2018/19 c/R 0% increase
R 4 800.70
R 3 200.47
R 3 200.47
R 3 200.47
R 3 200.47
R 800.12
R 42.35
R 423.50
R 1 600.23
R 605.00

77

R	1 600.23
R	968.00
R	1 600.23
R	960.14
R	960.14
R	-
R	-
R	960.14
R	1 600.23
R	1 502.57
R	3 200.47
R	6 050.00
R	3 200.47
R	1 280.19
R	1 600.23
R	1 600.23
R	48.01
R	1 600.23
R	1 815.00
R	960.14
R	960.14

22

R	-
R	1 573.00
R	605.00
R	90.75
R	-
R	605.00
R	605.00
R	90.75
R	-
R	1 573.00
R	302.50
R	18.15
R	-
R	302.50
R	605.00
R	90.75
R	-
R	1 573.00
R	605.00
R	30.25
R	-
R	605.00
R	605.00
R	30.25
R	-
R	605.00

72

R	605.00
R	145.20
R	-
R	1 573.00
R	-
R	-
R	907.50
R	605.00
R	3 025.00
R	-
R	-
R	3 025.00
R	605.00
R	90.75
R	-
R	-
R	605.00
R	-
R	181.50
R	-
R	-
R	302.50
R	-
R	-
R	302.50
R	-

Handwritten mark

R	605.00
R	605.00
R	605.00
R	-
R	605.00
R	-
R	302.50
R	-
R	605.00
R	605.00
R	302.50
R	-
R	605.00
R	605.00

17

R	880.14
R	440.07
R	352.05
R	352.05
R	1 760.26
R	1 408.20

202

1 760.26

ANNEXURE A

DESCRIPTION	FETAKGOMO				GTM				FETAKGOMO / GREATER TUBATSE (LIM 476)				Total for the MTRF period	
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19		
REVENUE	145 392 519	156 963 072	168 236 967	483 519 232	514 227 463	528 010 670	628 911 751	671 190 535	696 247 637	1 996 349 922				
OPERATIONAL EXPENDITURE	103 021 241	107 791 261	117 975 425	372 185 990	381 444 233	393 554 656	479 107 231	489 710 182	509 378 225	1 478 195 638				
FINANCE DEPARTMENT	25 349 120	25 579 492	27 134 582	101 063 198	101 530 098	96 920 585	126 412 278	127 109 531	123 555 167	377 076 975				
EXECUTIVE AND CORPORATE	40 449 648	42 728 954	45 419 948	85 710 818	89 250 026	95 543 655	126 160 466	131 978 981	140 968 603	399 103 050				
TECHNICAL DEPARTMENT	9 199 191	9 741 635	10 062 542	52 807 775	61 554 725	63 873 409	62 006 966	69 321 048	71 184 095	202 512 110				
MUNICIPAL MANAGER	4 776 900	5 089 064	5 422 440	18 057 861	16 709 701	17 919 501	22 834 761	21 798 765	23 341 941	67 975 467				
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	10 911 300	11 520 286	15 957 451	49 298 037	45 687 104	46 684 797	60 209 337	57 207 391	62 642 248	180 058 975				
COMMUNITY SERVICES	12 395 082	13 131 889	13 978 462	65 248 341	66 712 578	72 612 710	81 483 423	82 294 467	87 691 171	251 469 061				
CAPITAL EXPENDITURE	35 590 600	32 957 250	31 350 258	205 923 199	158 350 000	133 050 000	241 513 799	191 307 250	164 400 258	597 221 307				
OWN FUNDING	14 385 000	6 700 000	7 000 000	65 610 000	19 050 000	1 100 000	79 995 000	25 750 000	8 100 000	113 945 000				
MIG AND INEP	21 205 600	26 257 250	24 350 258	140 313 199	139 300 000	131 950 000	161 518 799	165 557 250	156 300 258	483 376 307				
SURPLUS / (DEFICIT)	6 780 678	16 214 561	18 911 284	94 589 957	25 566 770	1 406 014	91 709 279	9 826 898	22 469 154	79 067 023				

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DEPARTMENT	DESCRIPTION	FETAKOONO					GIN					FETAKOONO / GREATER TURKISE LUM 478				
		2018/17	2017/16	2018/19	2018/17	2017/16	2018/19	2018/17	2017/16	2018/19	2018/17	2017/16	2018/19			
FINANCE	EQUITABLE SHARE	102 291 840	112 119 792	120 470 460	204 968 160	223 568 208	240 219 540	307 760 000	335 688 000	360 690 000						
FINANCE	MISG	957 000	1 039 000	1 105 310	-	59 300 000	51 950 000	81 028 299	82 057 250	76 390 250						
FINANCE	MISG	21 705 600	22 757 250	24 350 258	59 323 199	59 300 000	51 950 000	81 028 299	82 057 250	76 390 250						
FINANCE	MISG-OPERATING	1 442 400	1 197 750	1 281 593	3 017 011	3 000 000	-	4 197 750	4 197 750	1 281 593						
COMMUNITY SERVICES	CPWD	1 000 000	1 058 000	1 119 364	1 604 000	1 000 000	1 058 000	1 119 364	1 058 000	1 119 364						
FINANCE	TENDER	163 816	172 259	182 250	-	2 308 000	2 493 000	1 766 816	2 480 259	2 675 250						
COMMUNITY SERVICES	PROOF	97 100	99 252	41 528	-	-	-	37 100	39 252	41 528						
COMMUNITY SERVICES	TRAFFIC ESCORT	5 300	5 607	5 933	322 500	564 375	598 238	327 600	569 992	604 170						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	LAND USE CHARGES	21 000	22 218	23 507	-	-	-	21 000	22 218	23 507						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	BILL BOARDS	1 000	1 000	1 000	290 250	507 937	598 413	291 250	508 937	599 413						
CORPORATE SERVICES	LGSETA	80 000	84 800	89 718	1 810 000	2 145 000	2 273 700	84 800	84 800	89 718						
FINANCE	FMG	1 825 000	1 900 000	2 033 000	-	2 145 000	2 273 700	3 635 000	4 045 000	4 305 700						
CORPORATE SERVICES	STAFF PARKING	27 221	28 854	30 528	-	-	-	27 221	28 854	30 528						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	OFFICE RENTAL / RENT HOUSING	200 000	212 000	224 296	597 500	940 625	997 063	737 500	1 157 625	1 221 359						
COMMUNITY SERVICES	CIVIC HALL	20 140	21 908	22 544	-	-	-	20 140	21 908	22 544						
COMMUNITY SERVICES	HIRING HALLS-MOHAIETSE	1 060	1 121	1 187	-	-	-	1 060	1 121	1 187						
COMMUNITY SERVICES	HIRING HALLS-PELANGWE	1 060	1 121	1 187	-	-	-	1 060	1 121	1 187						
COMMUNITY SERVICES	HIRING HALLS-SEKODIBING	1 060	1 121	1 187	-	-	-	1 060	1 121	1 187						
COMMUNITY SERVICES	HIRING HALLS-STYDKRAAL	1 060	1 121	1 187	-	-	-	1 060	1 121	1 187						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	RENTING OF HAMMERSFALLS	3 000	3 500	4 000	-	-	-	3 000	3 500	4 000						
FINANCE	SUNDRY INCOME	84 800	89 718	94 922	-	-	-	84 800	89 718	94 922						
FINANCE	DONATIONS	20 000	10 000	10 000	-	-	-	10 000	10 000	10 000						
TECHNICAL SERVICES	GRANTS - NEP CAPITAL	-	-	-	80 000 000	80 000 000	80 000 000	80 000 000	80 000 000	80 000 000						
COMMUNITY SERVICES	FINES - LIBRARY AND LOST BOOKS	-	-	-	645 000	1 128 750	1 196 475	645 000	1 128 750	1 196 475						
FINANCE	INTEREST CURRENT AND GENERAL	1 120 226	1 185 199	1 253 941	9 090 000	9 540 000	10 112 400	10 220 226	10 725 199	11 366 941						
FINANCE	INTEREST ON INVESTMENTS	192 920	204 309	215 948	10 679 000	11 202 000	11 726 000	10 871 920	11 406 109	11 941 948						
FINANCE	GRANT MUNICIPAL SYSTEM IMPROVEMENT GRANT	-	-	-	-	-	-	-	-	-						
COMMUNITY SERVICES	LICENSING - CHANGE OF LIC. APPL. FEES	2 385 000	2 523 330	2 669 693	2 150 000	3 762 500	3 998 250	4 535 000	6 285 830	6 657 993						
COMMUNITY SERVICES	LICENSING - COMMISSION ON VEHICLE REGIST	-	-	-	3 663 000	3 846 000	4 098 000	3 663 000	3 846 000	4 098 000						
COMMUNITY SERVICES	LICENSING - DRIVERS LICENSES	-	-	-	1 612 500	2 821 875	2 991 188	1 612 500	2 821 875	2 991 188						
COMMUNITY SERVICES	LICENSING - LEARNER LICENSES	-	-	-	322 500	564 375	598 238	322 500	564 375	598 238						
COMMUNITY SERVICES	LICENSING - PERMITS	-	-	-	2 150	3 762	3 988	2 150	3 762	3 988						
FINANCE	BURNAL FEES	-	-	-	32 250	56 437	59 823	32 250	56 437	59 823						
FINANCE	MEMBERSHIP FEES	-	-	-	7 525	13 168	13 958	7 525	13 168	13 958						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	BUILDING PLANS	-	-	-	435 375	761 906	807 620	435 375	761 906	807 620						
FINANCE	CLEARANCE CERTIFICATES	-	-	-	36 550	63 962	67 800	36 550	63 962	67 800						
FINANCE	PHOTOSTATS COPIES & PAGES	-	-	-	537	940	996	537	940	996						
FINANCE	VALUATION CERTIFICATE	-	-	-	2 150	3 762	3 988	2 150	3 762	3 988						
COMMUNITY SERVICES	PENALTIES	440 536	466 087	493 120	10 819 000	11 096 000	11 256 000	11 259 536	11 502 087	11 749 120						
FINANCE	FINES & PENALTIES	1 908 000	2 018 664	2 135 747	-	-	-	1 908 000	2 018 664	2 135 747						
COMMUNITY SERVICES	PROPERTY RATES	6 300 000	6 665 400	7 051 993	81 790 000	83 879 000	90 172 000	88 090 000	92 544 400	97 223 993						
COMMUNITY SERVICES	REPLUSE REVENUE	2 380 000	2 496 880	2 641 699	10 148 000	10 757 000	11 402 000	12 508 000	13 253 880	14 043 699						
COMMUNITY SERVICES	SALES OF DUSTBINS	190 800	201 866	213 975	-	-	-	190 800	201 866	213 975						
COMMUNITY SERVICES	AGENCY FEES	331 780	351 023	371 383	-	-	-	331 780	351 023	371 383						
COMMUNITY SERVICES	INTEREST ON OUTSTANDING DEBTORS	84 800	89 718	94 922	-	-	-	84 800	89 718	94 922						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	RENT OF FACILITIES AND EQUIPMENT	-	-	-	300 000	450 000	500 000	300 000	450 000	500 000						
	TOTAL INCOME	145 392 519	156 963 072	168 236 867	483 519 232	514 227 463	528 010 670	628 911 751	671 130 535	696 247 637						

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DEPARTMENT	DESCRIPTION	FETAKGOMO					GTM					FETAKGOMO / GREATER TUBATSE						
		2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19					
FINANCE	OVERTIME	3 210	3 428	3 661	300 000													
FINANCE	GROUP LIFE	32 100	34 283	36 614														
FINANCE	BONUS	230 050	245 693	262 401	1024 924	1 018 804	1 030 439											
FINANCE	ACTING ALLOWANCE																	
FINANCE	PENSION CONTRIBUTION	759 700	811 360	866 532	2 705 823	2 906 763	3 106 910											
FINANCE	MEDICAL AID CONTRIBUTIONS	374 500	399 966	427 164	525 198	622 903	720 766											
FINANCE	SALGBC	2 140	2 286	2 441														
FINANCE	LIF	42 800	45 710	48 819	127 991	130 215	141 131											
FINANCE	SKILL DEVELOPMENT LEVY	42 800	45 710	48 819	127 991	130 215	141 131											
FINANCE	HOUSING SUBSIDY	6 420	6 857	7 323	22 720	23 653	24 586											
FINANCE	PERFORMANCE BONUS				50 000	60 000	65 000											
FINANCE	FMG SALARIES	695 500	742 794	793 304														
FINANCE	CELLPHONE ALLOWANCE	42 800	45 710	48 819	136 933	147 803	158 723											
FINANCE	TRAVEL & SUBSISTANCE	32 100	34 283	36 614	200 000	200 000	200 000											
FINANCE	TRAVELLING ALLOWANCES	780 000	833 040	889 687	1 027 200	1 092 088	1 162 618											
FINANCE	OTHER ALLOWANCES				4 223	4 753	5 283											
FINANCE	SALARIES & WAGES				1 691 613	1 846 519	1 997 426											
FINANCE	INDUSTRIAL COUNCIL LEVY				122 991	130 215	137 431											
FINANCE	S57-SALARIES	470 800	502 814	537 006														
FINANCE	S57-PENSION	128 400	137 131	146 456														
FINANCE	S57-PAYE	321 000	342 828	366 140														
FINANCE	S57-SUB. ALLOWANCE	32 100	34 283	36 614														
FINANCE	S57-SDL	10 700	11 428	12 205														
FINANCE	S57-ACTING ALLOWANCE																	
FINANCE	S57-TRAVEL ALLOWANCE	160 500	171 414	183 070														
FINANCE	S57-LIF	4 280	4 571	4 882														
FINANCE	S57-GROUP LIFE																	
FINANCE	S57-HOUSING																	
FINANCE	S57-CELLPHONE ALLOWANCE	9 630	10 285	10 984														
FINANCE	S57-MEDICAL AID																	
FINANCE	ADVERTISING	50 000	52 900	55 968														
FINANCE	AUDIT FEES	2 000 000	2 116 000	2 238 728	2 500 000	2 500 000	2 500 000											
FINANCE	BANK CHARGES	70 000	74 060	78 355	100 000	100 000	100 000											
FINANCE	ENTERTAINMENT COSTS	2 000	2 116	2 239														
FINANCE	PRINTING & STATIONERY	1 670 000	1 770 200	1 876 412	120 000	127 200	134 432											
FINANCE	MEMBERSHIP	11 660	12 336	13 052														
FINANCE	CONSULTATION FEES AND AFS	700 000	740 600	783 555	1 500 000	1 500 000	1 500 000											
FINANCE	BOOKS AND MAGAZINES	5 830	6 168	6 526														
FINANCE	ACCOMMODATION	300 000	317 400	335 809	322 500	322 500	322 500											
FINANCE	INVENTORY WRITTEN OFF																	
FINANCE	FINANCE COST	40 000	42 320	44 775														

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FINANCE	INSURANCE	200 000	211 600	223 873	600 000	690 000	667 600	800 000	841 600	891 673
FINANCE	TRAINING	100 000	106 000	111 300	280 000	400 000	380 000	380 000	106 000	111 300
FINANCE	BID COMMITTEE TRAINING	100 000	106 000	111 300	280 000	400 000	380 000	380 000	106 000	111 300
FINANCE	ASSET MANAGEMENT	400 000	424 000	445 200	1 000 000	1 200 000	1 200 000	4 400 000	4 664 000	945 200
FINANCE	MSCOA IMPLEMENTATION AND IT MANAGEMENT	1 200 000	-	-	2 000 000	2 000 000	2 000 000	3 200 000	2 000 000	1 120 000
FINANCE	FMPR VARIABLE TRANSACTION	200 000	212 000	222 600	-	-	-	200 000	212 000	222 600
FINANCE	FMG-TRAINING	200 000	212 000	224 585	-	-	-	200 000	212 000	224 585
FINANCE	VAT RECOVERY	-	-	-	-	-	-	-	-	-
FINANCE	MSIG ASSET MANAGEMENT	674 100	733 126	790 442	-	-	-	674 100	733 126	790 442
FINANCE	FMG PROPERTY VALUATION	279 500	296 270	311 084	-	-	-	279 500	296 270	311 084
FINANCE	FMG REVENUE COLLECTION	-	-	-	-	-	-	-	-	-
FINANCE	MSIG - MSCOA IMPLEMENTATION	282 900	299 874	314 868	-	-	-	282 900	299 874	314 868
FINANCE	FMG BILLING	450 000	436 936	481 428	-	-	-	450 000	436 936	481 428
FINANCE	FMG BILLING-NUMBERING AND DATA CLEANSING	-	-	-	500 000	1 500 000	-	500 000	1 500 000	-
FINANCE	CASUAL LABOURS-BILLING	-	-	-	-	-	-	-	-	-
FINANCE	FMG REFUND	-	-	-	-	-	-	-	-	-
FINANCE	PROVISION FOR BAD DEBTS	4 400 000	4 655 200	4 925 202	2 465 700	2 250 000	2 205 160	28 937 000	30 418 900	31 976 802
FINANCE	BAD DEBTS WRITTEN OFF	-	-	-	-	-	-	-	-	-
FINANCE	ACTUAL VALUATION EXPENSE	-	-	-	2 000 000	2 000 000	2 000 000	2 000 000	1 300 000	1 378 000
FINANCE	RATES IMPERMISSIBLE (REVENUE FORGONE)	51 600	55 212	59 077	-	-	-	51 600	55 212	59 077
FINANCE	IMPAIRMENT-BUILDINGS	-	-	-	-	-	-	-	-	-
FINANCE	IMPAIRMENT-OTHER ASSETS	-	-	-	-	-	-	-	-	-
FINANCE	CONTRIBN-LEAVE RESERVE	80 000	84 640	89 549	-	-	-	80 000	84 640	89 549
FINANCE	DEPRECIATION-BUILDINGS	2 100 000	2 221 800	2 350 664	-	-	-	2 100 000	2 221 800	2 350 664
FINANCE	DEPRECIATION-VEHICLES	1 000 000	1 038 000	1 119 364	-	-	-	1 000 000	1 038 000	1 119 364
FINANCE	DEPRECIATION-OFFICE EQUIPMENT	450 000	476 100	503 714	-	-	-	450 000	476 100	503 714
FINANCE	DEPRECIATION-IT EQUIPMENTS	450 000	476 100	503 714	-	-	-	450 000	476 100	503 714
FINANCE	DEPRECIATION-COMMUNITY	700 000	740 600	783 555	-	-	-	700 000	740 600	783 555
FINANCE	DEPRECIATION-INFRASTRUCTURE	3 000 000	3 174 000	3 358 092	-	-	-	3 000 000	3 174 000	3 358 092
FINANCE	VEHICLE FUEL	-	-	-	600 000	636 000	674 160	600 000	636 000	674 160
FINANCE	IMPLEMENTATION-FMG GRANT	-	-	-	1 630 000	2 273 700	2 273 700	1 810 000	2 145 000	2 273 700
FINANCE	DEBT COLLECTION	-	-	-	1 000 000	1 500 000	1 600 000	1 000 000	1 500 000	1 600 000
FINANCE	CASH COLLECTIONS (DEPOSITS)	-	-	-	320 000	350 000	360 000	120 000	150 000	160 000
FINANCE	VEHICLE MAINTENANCE	-	-	-	450 000	477 000	505 620	450 000	477 000	505 620
FINANCE TOTAL EXPENDITURE		25 349 120	25 579 432	27 134 582	101 063 158	101 530 098	96 920 585	126 412 278	127 109 531	124 055 167

101 063 158 101 530 098 96 920 585

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DEPARTMENT	DESCRIPTION	FEYAKGOMO										GTM				FEYAKGOMO / GREATER TUBAISE			
		2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19			
TECHNICAL SERVICES	SALARIES	642 000	679 236	718 632	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	PAYE	214 000	226 412	239 544	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	PENSION CONTRIBUTION	276 200	294 336	311 407	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	GROUP LIFE INSURANCE	21 400	22 641	23 954	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	HOUSING SUBSIDY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SKILL DEVELOPMENT LEVY	16 050	16 981	17 966	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	MEDICAL AID CONTRIBUTIONS	160 500	169 809	179 658	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	TRAVELLING ALLOWANCE	321 000	339 618	359 316	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	PERFORMANCE BONUS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	UNEMPLOYMENT INSURANCE FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	CELLPHONE ALLOWANCE	17 120	18 113	19 164	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SALGBC	26 750	28 302	29 943	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	BONUS	856	906	958	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	ACTING ALLOWANCE	96 300	101 885	107 795	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	TRAVEL & SUBSTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	PMU SALARIES	224 700	237 733	251 521	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	TECHNICAL INTERV/ EXPERIATIONAL LEARNER	909 500	991 342	1 006 520	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-SALARIES	85 600	90 565	95 818	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-PENSION	299 600	316 977	336 361	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-SUB. ALLOWANCE	192 600	203 771	215 590	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-GROUP LIFE	84 200	67 924	71 863	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-MEDICAL AID	10 700	11 321	11 977	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-SDL	5 350	5 660	5 989	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-ACTING ALLOWANCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-PAYE	149 800	158 488	167 681	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-TRAVL ALLOWANCE	85 600	90 565	95 818	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-UIF	1 070	1 132	1 198	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	SST-CELLPHONE ALLOWANCE	9 095	9 623	10 181	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	EPWP SALARIES AND TRAINING	100 000	120 000	130 000	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	ENTERTAINMENT	5 300	5 607	5 933	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	PRINTING & STATIONERY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	CONSULTANTS FEES & RESEARCH	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	ACCOMODATION	706 000	112 148	118 653	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	MIG-PMU OVERHEAD EXPENSES	232 900	246 408	260 700	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	TRAINING	100 000	105 600	111 936	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	MAINTENANCE PLAN	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	FREE BASIC ELECTRICITY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	Electricity (operational)	1 500 000	1 500 000	1 500 000	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	Electricity of the Municipality	106 000	108 000	112 360	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	REPAIRS & MAINTEN-PUBLIC LIGHTS	500 000	529 000	559 682	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	REPAIRS & MAINTEN-PAVEMENTS	60 000	63 480	67 162	-	-	-	-	-	-	-	-	-	-	-	-			
TECHNICAL SERVICES	REPAIR & MAINT- SPECIAL VEHICLES	200 000	211 600	223 873	-	-	-	-	-	-	-	-	-	-	-	-			

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TECHNICAL SERVICES	REPAIR & MAINT-WATER	210 000	222 180	235 066	-	-	-	-	210 000	222 180	235 066
TECHNICAL SERVICES	CONTRIBUTION TO LEAVE RESERVE	53 000	56 074	59 326	-	-	-	-	53 000	56 074	59 326
TECHNICAL SERVICES	ROADS MAINTENANCE	-	-	-	20 000 000	22 000 000	24 000 000	-	20 000 000	22 000 000	24 000 000
TECHNICAL SERVICES	VEHICLE FUEL	-	-	-	1612 500	1 612 500	1 612 500	-	1 612 500	1 612 500	1 612 500
TECHNICAL SERVICES	VEHICLE LICENSE	-	-	-	60 200	60 200	60 200	-	60 200	60 200	60 200
TECHNICAL SERVICES	INTEREST EXTERNAL LOANS	-	-	-	2 821 875	2 821 875	2 821 875	-	2 821 875	2 821 875	2 821 875
TOTALS		9 199 191	9 741 635	10 062 542	52 807 775	61 554 725	63 873 409	62 006 966	71 296 360	73 935 951	73 935 951

38 429 926	45 828 850	46 978 581
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DEPARTMENT	DESCRIPTION	FETAKGOMO																		
		2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19							
MUNICIPAL MANAGER	SALARIES	700 000	747 800	798 437																
MUNICIPAL MANAGER	PAYE	363 800	388 538	414 959																
MUNICIPAL MANAGER	PENSION CONTRIBUTION	385 200	411 394	439 368																
MUNICIPAL MANAGER	GROUP LIFE INSURANCE	16 050	17 141	18 307																
MUNICIPAL MANAGER	OVERTIME																			
MUNICIPAL MANAGER	HOUSING SUBSIDY	12 840	13 713	14 646																
MUNICIPAL MANAGER	SKILL DEVELOPMENT LEVY	21 400	22 855	24 409																
MUNICIPAL MANAGER	MEDICAL AID CONTRIBUTIONS	139 100	148 559	158 661																
MUNICIPAL MANAGER	TRAVELLING ALLOWANCES	435 000	464 580	496 171																
MUNICIPAL MANAGER	OTHER ALLOWANCES																			
MUNICIPAL MANAGER	INDUSTRIAL COUNCIL LEVY																			
MUNICIPAL MANAGER	PERFORMANCE BONUS																			
MUNICIPAL MANAGER	TRAVEL & SUBSTANCE	64 200	68 566	73 228																
MUNICIPAL MANAGER	UNEMPLOYMENT INSURANCE FUND	21 400	22 855	24 409																
MUNICIPAL MANAGER	CELLPHONE ALLOWANCE	28 890	30 855	32 953																
MUNICIPAL MANAGER	SALGA	1 070	1 143	1 220																
MUNICIPAL MANAGER	BONUS	128 400	137 131	146 456																
MUNICIPAL MANAGER	ACTING ALLOWANCE																			
MUNICIPAL MANAGER	S57-SALARIES	577 800	617 090	659 053																
MUNICIPAL MANAGER	S57-PENSION	171 200	182 842	195 275																
MUNICIPAL MANAGER	S57 SUBSISTENCE	32 100	34 283	36 614																
MUNICIPAL MANAGER	S57-GROUP LIFE																			
MUNICIPAL MANAGER	S57-HOUSING																			
MUNICIPAL MANAGER	S57-SDL	11 770	12 570	13 425																
MUNICIPAL MANAGER	S57-ACTING ALLOWANCE																			
MUNICIPAL MANAGER	S57-PAYE	374 500	399 966	427 164																
MUNICIPAL MANAGER	S57-TRAVL ALLOWANCE	10 700	11 428	12 205																
MUNICIPAL MANAGER	S57-UJF	4 280	4 571	4 882																
MUNICIPAL MANAGER	S57-CELLPHONE ALLOWANCE	10 700	11 428	12 205																
MUNICIPAL MANAGER	ENTERTAINMENT COST	2 000	2 116	2 239																
MUNICIPAL MANAGER	MEMBERSHIP FEES	15 900	16 822	17 798																
MUNICIPAL MANAGER	PRINTING & STATIONERY																			
MUNICIPAL MANAGER	REGISTRATIONS																			
MUNICIPAL MANAGER	CONSULTATIONS FEE	30 000	31 740	33 581																
MUNICIPAL MANAGER	BOOKS & MAGAZINES																			
MUNICIPAL MANAGER	ACCOMMODATION																			
MUNICIPAL MANAGER	INTERNAL AUDIT CO-OUTSOURCED	100 000	105 800	111 936																
MUNICIPAL MANAGER	AUDIT COMMITTEE	240 000	253 920	268 647																
MUNICIPAL MANAGER	RISK COMMITTEE	500 000	529 000	559 682																
MUNICIPAL MANAGER	TRAINING																			
MUNICIPAL MANAGER	IT AUDIT-OUTSOURCED	100 000	105 800	111 936																
MUNICIPAL MANAGER	FRAUD PREVENTION/RISK MANAGEMENT	120 000	126 960	135 847																
MUNICIPAL MANAGER	CONTRIBUTION TO LEAVE RESERVE	95 000	100 510	105 536																
MUNICIPAL MANAGER	DEPRECIATION	63 600	67 289	71 192																

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ADVERTISEMENTS
COMPILATION OF ANNUAL REPORT
E & S NEWSLETTERS
E & S MEDIA RELEASE (15 YEAR REVIEW BOOKLET)
E & S MARKETING AND BRANDING
E & S SOLMA
E & S EXCO MAGOTLA
E & S CLIENT SATISFACTION SURVEY
IDP PROCESS
MPAC & OTHER SECTION 79 PROGRAMMES
PMS MANAGEMENT & MANAGEMENT REVIEWS
E & S CUSTOMER CARE FRAMEWORK
E & S INTERNAL COMMUNICATION STRATEGY
E & S PUBLIC COMMUNICATION STRATEGY
E & S REVIEW POWER AND FUNCTIONS
TOTALS

850 000	500 000	590 000	850 000	500 000	530 000
100 000	120 000	130 000	100 000	120 000	130 000
500 000	350 000	371 000	500 000	350 000	371 000
500 000	250 000	265 000	500 000	250 000	265 000
700 000	350 000	371 000	700 000	350 000	371 000
700 000	250 000	265 000	700 000	250 000	265 000
200 000	250 000	280 000	200 000	250 000	280 000
450 000	200 000	212 000	450 000	200 000	212 000
900 000	550 000	600 000	900 000	550 000	600 000
150 000	170 000	190 000	150 000	170 000	190 000
500 000	530 000	561 800	500 000	530 000	561 800
200 000	-	-	200 000	-	-
100 000	100 000	106 000	100 000	100 000	106 000
200 000	220 000	230 000	200 000	220 000	230 000
200 000	250 000	265 000	200 000	250 000	265 000
4 776 900	5 089 064	5 422 440	18 057 861	16 709 701	17 919 501
			22 834 761	21 798 765	23 341 941

18 057 861 16 709 701 17 919 501

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DEPARTMENT	DESCRIPTION	FETAKGOMO					GTM					FETAKGOMO (GEBATER TUBATSE)							
		2018/17	2017/18	2018/19	2018/17	2017/18	2018/19	2018/17	2017/18	2018/19	2018/17	2017/18	2018/19						
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	SALARIES	1 000 000	1 060 000	1 200 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	PAYE	450 000	477 000	500 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	PENSION CONTRIBUTION	470 000	498 200	500 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	OVERTIME	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	HOUSING SUBSIDY	10 000	10 500	11 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	SKILL DEVELOPMENT LEVY	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	MEDICAL AID CONTRIBUTIONS	18 000	19 000	19 950															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	TRAVELLING ALLOWANCE	170 000	180 200	185 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	PERFORMANCE BONUS	650 000	690 000	720 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	TRAVEL & SUBSISTENCE	120 000	127 200	133 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	UNEMPLOYMENT INSURANCE FUND	25 000	28 500	30 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	CELLPHONE ALLOWANCE	35 000	37 100	30 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	SALGBC	1 800	1 800	1 700															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	BONUS	165 000	174 900	180 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	ACTING ALLOWANCE	7 000	7 500	8 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-SALARIES	300 000	350 000	350 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-PENSION	100 000	108 000	140 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-SUB. ALLOWANCE	60 000	63 600	67 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-GROUP LIFE	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-MEDICAL AID	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-SDL	5 000	5 300	6 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-ACTING ALLOWANCE	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-PAYE	180 000	189 600	200 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-TRAV. ALLOWANCE	60 000	63 600	70 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-LIFE	5 000	5 300	5 600															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	S57-CELLPHONE ALLOWANCE	9 000	9 540	10 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	INTERNSHIP/LEARNERSHIP	190 000	201 000	210 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	EPWP-plantum mlne	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	PRINTING & STATIONERY	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	MEMBERSHIP REGISTRATION	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	CONSULTANTS FEES & RESEARCH	6 000	6 348	6 716															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	ACCOMMODATION	200 000	211 600	223 873															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	ENTERTAINMENT COSTS	2 000	2 116	2 298															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	IDP/BUDGET REVIEW	200 000	210 000	220 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	REVIEW OF LIMS	2 000 000	2 116 000	2 238 728															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	TOWNSHIP ESTABLISHMENT	1 500 000	1 500 000	1 587 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	PMS CORPORATE	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	SPATIAL DEVELOPMENT FRAMEWORK	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	MGP/PAU OVERHEADS EXPENSE	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	TENURE UPGRADING	-	-	-															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	GEOGRAPHICAL INFORMATION SYSTEMS	500 000	534 000	584 972															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	GEOGRAPHICAL NAMES	150 000	160 200	169 492															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	LED STRATEGY IMPLEMENTATION	100 000	150 000	200 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	TRAINING	100 000	105 800	111 938															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	REVIEW OF PRECINCT PLAN	5 000	5 290	5 597															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	LOCAL BUSINESS SKILLS DEVELOPMENT	100 000	94 500	100 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	LOCAL TOURISM	200 000	105 000	110 000															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	LOCAL CO-OPERATIVE SUPPORT	500 000	590 000	685 400															
ECONOMIC AND LAND DEVELOPMENT AND PLANNING	PPP EXPENSE	-	-	-															

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DEPARTMENT	DESCRIPTION	FETAKGOMO					GTM					FETAKGOMO / GREATER TUBATSE							
		2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19						
COMMUNITY SERVICES	SALARIES	3 745 000	3 999 860	4 271 637															
COMMUNITY SERVICES	PAYE	759 700	811 360	866 532															
COMMUNITY SERVICES	PENSION CONTRIBUTION	1 305 400	1 394 167	1 488 971															
COMMUNITY SERVICES	OVERTIME	200 000	213 600	228 125															
COMMUNITY SERVICES	STANDBY ALLOWANCE	214 000	228 562	244 094															
COMMUNITY SERVICES	GROUP LIFE INSURANCE	107 000	114 276	122 047															
COMMUNITY SERVICES	HOUSING SUBSIDY	16 050	17 141	18 307															
COMMUNITY SERVICES	TRAFFIC LEARNERSHIP	-	-	-															
COMMUNITY SERVICES	TRAINING-TRAFFIC	-	-	-															
COMMUNITY SERVICES	SKILL DEVELOPMENT LEVY	64 200	68 566	73 228															
COMMUNITY SERVICES	MEDICAL AID CONTRIBUTIONS	69 560	74 279	79 330															
COMMUNITY SERVICES	TRAVELLING ALLOWANCES	600 000	640 800	684 374															
COMMUNITY SERVICES	UNEMPLOYMENT INSURANCE FUND	90 950	97 135	103 740															
COMMUNITY SERVICES	OTHER ALLOWANCES	-	-	-															
COMMUNITY SERVICES	INDUSTRIAL COUNCIL LEVY	-	-	-															
COMMUNITY SERVICES	CELLPHONE ALLOWANCE	-	-	-															
COMMUNITY SERVICES	SALGRIC	69 560	74 279	79 330															
COMMUNITY SERVICES	BONUS	5 330	5 714	6 102															
COMMUNITY SERVICES	TRAVEL & SUBSTANCE	394 022	420 816	449 431															
COMMUNITY SERVICES	DONATIONS	128 400	137 131	146 456															
COMMUNITY SERVICES	FUEL	545 900	577 562	611 061															
COMMUNITY SERVICES	ENTERTAINMENT COSTS	44 520	47 102	49 834															
COMMUNITY SERVICES	BOOKS & MAGAZINES	159 000	168 222	177 979															
COMMUNITY SERVICES	PRINTING & STATIONERY	106 000	112 148	118 563															
COMMUNITY SERVICES	TRAFFIC COSTS	5 830	6 188	6 526															
COMMUNITY SERVICES	RENTAL-COMMUNICATION DEVICE	106 000	112 148	118 563															
COMMUNITY SERVICES	PROTECTIVE CLOTHING	106 000	112 148	118 563															
COMMUNITY SERVICES	ACCOMMODATION	53 000	56 074	59 326															
COMMUNITY SERVICES	TRAFFIC UNIFORM	-	-	-															
COMMUNITY SERVICES	WARD COMMITTEE-STENDS	-	-	-															
COMMUNITY SERVICES	WARD COMMITTEE SUPPORT	-	-	-															
COMMUNITY SERVICES	CASUAL LABOUR	-	-	-															
COMMUNITY SERVICES	MISG-WARD COMMITTEE	-	-	-															
COMMUNITY SERVICES	CONSULTANCY FEES	-	-	-															
COMMUNITY SERVICES	ARRIVE ALIVE CAMPAIGN	11 660	12 336	13 032															
COMMUNITY SERVICES	REVENUE COLLECTION-TRAFFIC FINES	53 000	56 074	59 326															
COMMUNITY SERVICES	TRAINING	100 000	105 800	111 936															
COMMUNITY SERVICES	PROVISION FOR BAD DEBTS-REFUSE	1 450 000	1 534 100	1 623 078															
COMMUNITY SERVICES	CONTRIBUTION TO LEAVE RESERVE	416 000	427 200	434 383															
COMMUNITY SERVICES	SPORT ARTS & CULTURE	1 165 000	1 232 570	1 304 059															
COMMUNITY SERVICES	REFUSE REMOVAL	300 000	317 400	335 609															
COMMUNITY SERVICES	REMOVAL OF CARCASS	35 000	37 030	39 622															
COMMUNITY SERVICES	EPWP TRAINING	-	-	-															
COMMUNITY SERVICES	EPWP SALARIES	-	-	-															
COMMUNITY SERVICES	EPWP SUPPORT	-	-	-															
COMMUNITY SERVICES	PROTECTIVE CLOTHING	-	-	-															
COMMUNITY SERVICES	REPAIR & MAINT-VEHICLES	-	-	-															

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COMMUNITY SERVICES	REPAIR & MAINT- SPECIAL VEHICLES	-	-	-	-	-	-	-	-
COMMUNITY SERVICES	REPAIR MAINT & LIGHTS	-	-	-	-	-	-	-	-
COMMUNITY SERVICES	REPAIR & MAINT-REUSE EQUIPMENTS	5 000	5 290	5 597	5 000	5 290	5 597	5 290	5 597
COMMUNITY SERVICES	REPAIRS & MAINTENANCE-SAFETY EQUIPMENTS	150 000	158 700	167 905	150 000	158 700	167 905	158 700	167 905
COMMUNITY SERVICES	REPAIRS & MAINTENANCE-LANDFILL	-	-	-	-	-	-	-	-
COMMUNITY SERVICES	MAINT-SHIP BINS	31 800	33 644	35 596	31 800	33 644	35 596	31 800	33 644
COMMUNITY SERVICES	REPAIR MAINT-SPORTS FACILITIES	-	-	-	-	-	-	-	-
COMMUNITY SERVICES	CO-ORDINATION OF COMMUNITY FACILITIES	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
COMMUNITY SERVICES	DISASTER IMPLEMENTATION PLAN	600 000	636 000	674 160	600 000	636 000	674 160	600 000	636 000
COMMUNITY SERVICES	IDP PROGRAMS AND PUBLIC PARTICIPATION	500 000	300 000	350 000	500 000	300 000	350 000	500 000	350 000
COMMUNITY SERVICES	VEHICLE - LICENSE	10 750	18 812	19 941	10 750	18 812	19 941	10 750	18 812
COMMUNITY SERVICES	TELEPHONE EXPENSES	53 750	94 062	99 706	53 750	94 062	99 706	53 750	94 062
COMMUNITY SERVICES	E & S ESTABLISHMENT OF ONE STOP TRAFFIC STATION (ORIGSTAD/MOROKE)	700 000	-	-	700 000	-	-	700 000	-
COMMUNITY SERVICES	VEHICLE - LICENSE	10 750	18 812	19 941	10 750	18 812	19 941	10 750	18 812
COMMUNITY SERVICES	INSPECTORATE FEES	53 750	94 062	99 706	53 750	94 062	99 706	53 750	94 062
COMMUNITY SERVICES	MACHINERY & EQUIPMENT	21 500	37 625	39 883	21 500	37 625	39 883	21 500	37 625
COMMUNITY SERVICES	VEHICLES & MACHINERY	80 625	141 093	149 559	80 625	141 093	149 559	80 625	149 559
COMMUNITY SERVICES	LAW ENFORCEMENT AND SAFETY PROGRAMMES	500 000	600 000	700 000	500 000	600 000	700 000	500 000	600 000
COMMUNITY SERVICES	BURIALS - NEEDY PERSONS	53 750	94 062	99 706	53 750	94 062	99 706	53 750	94 062
COMMUNITY SERVICES	E & S ENVIRONMENTAL AWARENESS CAMPAIGN	150 000	170 000	180 000	150 000	170 000	180 000	150 000	180 000
COMMUNITY SERVICES	E & S MAINTENANCE & BEAUTIFICATION	1 000 000	500 000	500 000	1 000 000	500 000	500 000	1 000 000	500 000
COMMUNITY SERVICES	E & S MAINTENANCE OF CEMENTRIES	1 000 000	500 000	500 000	1 000 000	500 000	500 000	1 000 000	500 000
COMMUNITY SERVICES	TREES & SHRUBS	53 750	94 062	99 706	53 750	94 062	99 706	53 750	94 062
COMMUNITY SERVICES	MACHINERY & EQUIPMENT	107 500	188 125	199 413	107 500	188 125	199 413	107 500	188 125
COMMUNITY SERVICES	BOOK REPLACEMENTS	550 000	600 000	636 000	550 000	600 000	636 000	550 000	600 000
COMMUNITY SERVICES	DISASTER IMPLEMENTATION PLAN	600 000	700 000	742 000	600 000	700 000	742 000	600 000	742 000
COMMUNITY SERVICES	E & S HIV/AIDS PROGRAMME	250 000	188 125	199 413	250 000	188 125	199 413	250 000	188 125
COMMUNITY SERVICES	E & S FACILITATION OF ARTS & CULTURE PROGRAMMES	100 000	120 000	150 000	100 000	120 000	150 000	100 000	120 000
COMMUNITY SERVICES	E & S FACILITATION OF LIBRARY PROGRAMMES	250 000	188 125	199 413	250 000	188 125	199 413	250 000	188 125
COMMUNITY SERVICES	E & S FACILITATION OF SPORTS & RECREATION PROGRAMMES	5 000	-	-	5 000	-	-	5 000	-
COMMUNITY SERVICES	MEMBERSHIP FEES	5 000	-	-	5 000	-	-	5 000	-
COMMUNITY SERVICES	PERIODICALS	107 500	188 125	199 413	107 500	188 125	199 413	107 500	188 125
COMMUNITY SERVICES	R & M BUILDING	300 000	320 000	340 000	300 000	320 000	340 000	300 000	320 000
COMMUNITY SERVICES	LIBRARY BOOKS PURCHASES	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000
COMMUNITY SERVICES	PERIODICALS	37 625	65 843	69 794	37 625	65 843	69 794	37 625	69 794
COMMUNITY SERVICES	TRAINING OF RECYCLERS	798 000	900 000	954 000	798 000	900 000	954 000	798 000	954 000
COMMUNITY SERVICES	LANDFILL MANAGEMENT	3 900 000	2 450 000	1 100 000	3 900 000	2 450 000	1 100 000	3 900 000	2 450 000
COMMUNITY SERVICES	MOVEMENT TO OWN FUNDING GFM	967 500	1 025 550	1 087 083	967 500	1 025 550	1 087 083	967 500	1 025 550
COMMUNITY SERVICES	DEPARTMENTAL- REUSE REMOVAL	12 335 082	13 131 889	13 978 462	12 335 082	13 131 889	13 978 462	12 335 082	13 131 889
COMMUNITY SERVICES	TOTALS	65 248 341	66 712 578	72 612 710	65 248 341	66 712 578	72 612 710	65 248 341	66 712 578

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Bud Type Description	Exp Cat Description	Item Description	Budget Year 2016/17 ORIGINAL	Budget Year 2017/18 ORIGINAL	Budget Year 2018/19 ORIGINAL
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GREATER TUBATSE LOCAL MUNICIPALITY

Capex	ASSETS FROM OWN FUNDS	PURCHASE OF DISASTER VEHICLE	500 000	-	-
Capex	ASSETS FROM OWN FUNDS	ROAD BLOCK EQUIPMENTS	-	200 000	-
Capex	ASSETS FROM OWN FUNDS	ANIMAL POUND	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	TRAFFIC VEHICLE	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	LAW ENFORCEMENT AND SAFETY PROGRAMMES	500 000	600 000	700 000
Capex	ASSETS FROM OWN FUNDS	SPEED EQUIPMENT	500 000	400 000	-
Capex	ASSETS FROM OWN FUNDS	TWO WAY RADIO CONTROL ROOM	500 000	-	-
Capex	ASSETS FROM OWN FUNDS	CONSTRUCTION OF NEW LICENCING OFFICE	2 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	VEHICLES (SEDAN TRAFIC)	500 000	-	-
Capex	ASSETS FROM OWN FUNDS	AIR QUALITY MANAGEMENT CENTRE	4 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	PURCHASE OF LANDFILL SITE	30 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	E & S PROMOTION OF TOURISM	300 000	350 000	400 000
Capex	ASSETS FROM OWN FUNDS	ACQUISITION OF ROAD SERVITUDES	3 000 000	1 500 000	-
Capex	ASSETS FROM OWN FUNDS	BURGERSFORT FLEA MARKET	100 000	-	-
Capex	ASSETS FROM OWN FUNDS	relocation of burgersfort transport facility	100 000	5 000 000	-
Capex	ASSETS FROM OWN FUNDS	PLANT AND EQUIPMENT	9 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	THOKWANE ACCESS ROAD	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	LEBOENG ACCESS ROAD	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	TUKAKGOMO ACCESS ROAD	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	DRIEKOP SPORT COMPLEX	-	1 000 000	-
Capex	ASSETS FROM OWN FUNDS	ARTS AND CULTURE CENTRE	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	GA-MAKUA LIBRARY (WARD 29)	-	1 000 000	-
Capex	ASSETS FROM OWN FUNDS	PRAKTISEER LIBRARY	600 000	-	-
Capex	ASSETS FROM OWN FUNDS	MOTODI SPORT COMPLEX	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	GA-MAKOFANE ACCESS BRIDGE	-	1 000 000	-
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - DITHAMAGA	1 000 000	-	-
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - GA-MALWANE	1 000 000	-	-

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Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - LEFAHLA	1 000 000		
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - MATIMATJATJI		1 000 000	
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - MOROKADIETA	1 000 000		
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - MOALOE_A_KGORO		1 000 000	
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - MOROKADIETA 2		1 000 000	
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - SEKABATE		1 000 000	
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - MOKGETHI ACCESS BRIDGE		1 000 000	
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - MOLEKANE		1 000 000	
Capex	ASSETS FROM OWN FUNDS	ACCESS BRIDGE - TIAITE	1 000 000		
Capex	ASSETS FROM OWN FUNDS	MOTAGANENG ACCESS BRIDGE	1 000 000		
GTM TOTAL			65 610 000	19 050 000	1 100 000

FETAKGOMO LOCAL MUNICIPALITY

Capex	ASSETS FROM OWN FUNDS	CARPORTS	150 000	100 000	50 000
Capex	ASSETS FROM OWN FUNDS	CONSTRUCTION OF MARKET STALLS	1 000 000	500 000	
Capex	ASSETS FROM OWN FUNDS	EMERGENCY EXIT	100 000	-	-
Capex	ASSETS FROM OWN FUNDS	FTM STORMWATER	200 000	300 000	400 000
Capex	ASSETS FROM OWN FUNDS	FURNITURE	150 000	-	-
Capex	ASSETS FROM OWN FUNDS	GUARD HOUSE	100 000		
Capex	ASSETS FROM OWN FUNDS	INFRASTRUCTURE CONSULTANTS FEES	7 000 000	5 000 000	6 000 000
Capex	ASSETS FROM OWN FUNDS	INTERNAL MUNICIPAL WATER SUPPLY	300 000	200 000	500 000
Capex	ASSETS FROM OWN FUNDS	NGHABELENG ACCESS BRIDGE	500 000		
Capex	ASSETS FROM OWN FUNDS	OFFICE EQUIPMENT	70 000	100 000	50 000
Capex	ASSETS FROM OWN FUNDS	PEDESTRIAN CONTROL TURN STILE	100 000	-	-
Capex	ASSETS FROM OWN FUNDS	SKIP BINS	125 000	-	-
Capex	ASSETS FROM OWN FUNDS	TOWNSHIP ESTABLISHMENT / LAND ACQUISITION	3 000 000	500 000	
Capex	ASSETS FROM OWN FUNDS	UPGRADING OF NEW BUILDING-(BURGLARS)	300 000	-	-
Capex	ASSETS FROM OWN FUNDS	VEHICLES	1 290 000	-	-
FTLM - TOTAL			14 385 000	6 700 000	7 000 000

GRAND TOTAL

79 995 000 25 750 000 8 100 000

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Exp Cat Description	Item Description	Budget Year 2016/17 ORIGINAL	Budget Year 2017/18 ORIGINAL	Budget Year 2018/19 ORIGINAL
GREATER TUBATSE LOCAL MUNICIPALITY				
ASSETS FROM INEP GRANTS	ELECTRICITY - OPERATION MABONE	80 000 000	80 000 000	80 000 000
ASSETS FROM MIG GRANTS	TUBATSE HIGHMAST LIGHTS IN RURAL VILLAGES/GTM	1 000 000	15 000 000	15 000 000
ASSETS FROM MIG GRANTS	MABODILE SPORTS COMPLEX	-	11 000 000	1 000 000
ASSETS FROM MIG GRANTS	BOTSHOEK ACCESS BRIDGE	3 000 000	-	-
ASSETS FROM MIG GRANTS	ACCESS ROAD - BOTSHOEK	5 977 900	6 000 000	1 000 000
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - DIPHALA/MAKHWAYA	12 000 089	-	-
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - GA-MOTSHANA	6 000 000	-	-
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - LEBOENG	4 100 000	-	-
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - LEGOLENG	7 000 000	3 800 000	2 000 000
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - MABOCHA	9 700 000	-	-
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - MADITHONGWANA	-	6 000 000	7 000 000
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - MAFARAFARA	9 035 210	-	-
ASSETS FROM MIG GRANTS	ACCESS BRIDGE - MPURU	-	3 500 000	7 950 000
ASSETS FROM MIG GRANTS	FENCING OF RURAL CEMETRIES IN ALL WARDS	500 000	-	7 000 000
ASSETS FROM MIG GRANTS	STORMWATER DRAINAGE - PRAKTISEER	-	6 000 000	11 000 000
ASSETS FROM MIG GRANTS	BURGERSHOUT FLEA MARKET	100 000	5 000 000	-
ASSETS FROM MIG GRANTS	TUBATSE REHABILITATION OF WASTE	1 900 000	3 000 000	-
	GTM - TOTAL	140 313 199	139 360 000	131 950 000
FETAKGOMO LOCAL MUNICIPALITY				
ASSETS FROM MIG GRANTS	MIG - ATOK CULVERTS	8 335 782	-	-
ASSETS FROM MIG GRANTS	MIG - UPGRAIDING OF RADINGWANA SPORTS FACILITY	2 039 388	-	-
ASSETS FROM MIG GRANTS	MIG/DOWN FUNDING-FETAKGOMO TOWNSHIP EXT.1	-	3 500 000	3 500 000
ASSETS FROM MIG GRANTS	MIG-APEL CULVERTS	7 255 406	-	-
ASSETS FROM MIG GRANTS	MIG-GA-PHASHA / MAMPA INTERNAL ROAD	-	5 507 250	7 000 000
ASSETS FROM MIG GRANTS	MIG-LEDINGWE CULVERTS DRAINAGE STRUCTURE	-	5 000 000	-
ASSETS FROM MIG GRANTS	MIG-MOOLIK / SHUBUSHUNG INTERNAL ROAD	-	5 250 000	6 500 000
ASSETS FROM MIG GRANTS	MIG-MPHANAMA CULVERTS	3 575 024	-	-
ASSETS FROM MIG GRANTS	MIG-MUNICIPAL FACILITIES INTERNAL STREET	-	3 500 000	3 500 000
ASSETS FROM MIG GRANTS	TA-COMMUNITY HALLS INTERNAL STREET (MIG)	-	3 500 000	3 850 258
	FTLM - TOTAL	21 205 600	26 257 250	24 350 258
	GRAND TOTAL	161 518 799	165 557 250	156 300 258

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