

MATJHABENG LOCAL MUNICIPALITY



BUDGET POLICY

TABLE OF CONTENTS

- 1. INTRODUCTION
- 2. OBJECTIVE OF THE POLICY
- 3. BUDGETING PRINCIPLES
- 4. BUDGET PREPARATION PROCESS
 - 4.1 Formulation of the Budget
 - 4.2 Public Participation Process
 - 4.3 Approval of the Budget
 - 4.4 Publication of the Budget
 - 4.5 Service Delivery and Budget Implementation Plan (SDBIP)
- 5. CAPITAL BUDGET
- 6. OPERATING BUDGET
- 7. FUNDING OF CAPITAL AND OPERATING BUDGET
- 8. UNSPENT FUNDS / ROLL OVERS
- 9. BUDGET TRANSFERS / VIREMENTS
- 10. ADJUSTMENT BUDGET
- 11. BUDGET IMPLEMENTATION
 - 11.1 Monitoring
 - 11.2 Reporting

DEFINITIONS

"Accounting Officer"-

(a) means the Manager in terms of Municipal Finance Management Act;

"Allocation", means-

(a) a municipality's share of the local government's equitable share referred to in section 214(l) (a) of the Constitution;

(b) an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

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

"Approved budget," means an annual budget-

(a) approved by a municipal council, or

(b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

"Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

"Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-

(a) the tariffs policy, which the municipality must adopt in terms of section 74 of the

Municipal Systems Act;

(b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or

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

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

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

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

"councilor" means a member of a municipal council;

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

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

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

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

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

(a) a statement of financial position;

(b) a statement of financial performance;

(c) a cash-flow statement;

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

(e) any notes to these statements;

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

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

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

"irregular expenditure", means-

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

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

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

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the

municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

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

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

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

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

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

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

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

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

"mayor" means the councilor elected as the mayor of the municipality in terms of section 55 of the Municipal Structures Act;

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

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

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

"municipality"-

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

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

"accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

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

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

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

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

"official", means-

(a) an employee of a municipality or municipal entity;

(b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or

(c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-

(a) means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;

(b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

(c) in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

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

"quarter" means any of the following periods in a financial year:

(a) 1 July to 30 September;

(b) 1 October to 31 December;

(c) 1 January to 31 March; or

(d) 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the Mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and

which must indicate-

(a) projections for each month of-

(i) revenue to be collected, by source; and

(ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter; and

(c) any other matters that may be prescribed, and includes any revisions of such plan by

the Mayor in terms of section 54(l) (c) of the MFMA;

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

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

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

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

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

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

vote;

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

(e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of

"allocation" otherwise than in accordance with any conditions of the allocation; or

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

"virement" means transfer of funds between functions / votes

"vote" means-

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

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

1. INTRODUCTION

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on

Municipal Budgets, Subsection (16), 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.

2. OBJECTIVE

The objective of the budget policy is to set out:

- The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget,
- The responsibilities of the Mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget
- To establish and maintain procedures to ensure adherence to Matjhabneg Local Municipality's IDP review and budget processes.

3. BUDGETING PRINCIPLES

- The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.
- Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- Matjhabneg Local Municipality shall prepare three-year budget (medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.
- The MTREF budget must at all times be within the framework of the Municipal Integrated Development Plan.

4. BUDGET PREPARATION PROCESS

4.1. Formulation of the budget

(a) The Accounting Officer with the assistance of the Chief Financial Officer and the Manager responsible for IDP shall draft the IDP 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).

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

(d) The Mayor shall convene a strategic workshop in September/October with the 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 and political pressures facing the municipality.

The Mayor shall table the IDP priorities with the draft budget to Council.

(e) 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 resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc).

(f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.

(g) The budget must be in the prescribed format, and must be divided into capital and operating budget.

(h) The budget must reflect the realistically expected revenues by major source for the budget year concerned.

(i) The expenses reflected in the budget must be divided into items.

(j) 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.

4.2. Public participation process

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 representation at the council hearings and to submit comments in response to the draft budget.

4.3. Approval of the budget

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

(b) The council resolution, must contain budget policies and performance measures be adopted.

(c) 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.

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

i. draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;

ii. draft resolutions;

- iii. measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- iv. the projected cash flows for the financial year by revenue sources and expenditure votes;
- v. any proposed amendments to the IDP;
- vi. any proposed amendments to the budget-related policies;
- vii. the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councilors, the accounting officer, the chief financial officer, and other senior managers;
- viii. particulars of the municipality's investments; and
- ix. various information in regard to municipal entities under the shared or sole control of the municipality.

4.4. Publication of the budget

- (a) Within 14 days after the draft annual budget has been tabled, the Director 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.

4.5. 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

5. 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 Asset Management and Maintenance policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.

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

(d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and 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 of 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 incurred on external loans,
- ii. depreciation of fixed assets,
- iii. maintenance of fixed assets, and
- iv. any other ordinary operational expenses associated with any item on such capital budget.

(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:

Revenue or Surplus

- 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.
- If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

External loans

- External loans can be raised only if it is linked to the financing of an asset;
- 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;

- The loan redemption period should not exceed the estimated life expectancy of the asset. Should this happen the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget;
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

Capital Replacement Reserve (CRR)

- 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:
 - o unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - o interest on the investments of the CRR, appropriated in terms of the investments policy;
 - o additional amounts appropriated as contributions in each annual or adjustments budget; and
 - o Sale of land and profit or loss on the sale of assets.
- Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
- If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
- Transfers to the CRR must be budgeted for in the cash budget;

Grant Funding

- Capital expenditure funded from grants
 - ° must be budgeted for as part of the revenue budget;
 - ° Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.
 - Capital expenditure must be budgeted for in the capital budget;
 - Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund.
- If there is no condition stated the interest can then be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

6. 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 rates and tariffs policies
 - iv. provision for the obsolescence and deterioration of stock in accordance with its supply chain 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 5% 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, which the proposed increases in rates and service 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:
- depreciation charges
 - repairs and maintenance expenses
 - interest payable on external borrowings
 - other operating expenses.
- (e) The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

7. FUNDING OF CAPITAL AND OPERATING BUDGET

- (a) The budget may be financed only from:
- i. realistically expected revenues, based on current and previous collection levels;
 - ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
 - iii. borrowed funds in respect of the capital budget only.

8. UNSPENT FUNDS / ROLL OVER OF BUDGET

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

9. BUDGET TRANSFERS AND VIREMENTS

- (a) Budget transfers within the same vote shall be recommended by the Director/ Manager and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Office.
- (b) No budget transfers or virements shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Director Corporate Services.
- (c) In cases of emergency situations virements shall be submitted by the accounting officer to the Mayor for authorization and be reported by the Mayor to Council at its next meeting.
- (d) The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer.
- (e) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of council.
- (f) 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 Office. Virements are not allowed from the repairs and maintenance project in the project segment.
- (g) 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 ten per cent of the amount appropriated under that main expenditure category.
- (h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure.
- (i) Virements between votes shall be included in the adjustment budget.
- (j) All segments must be considered when making a virement.
- (k) Virements can only take place within a function or sub-function and the same source of funding.

(l) The creation of new projects or savings across functions can only take place through and adjustment budget.

10. 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 as 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.

(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 take 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 material adjustments; and

iii. an explanation of the impact of any increased spending on the current and future annual budgets.

(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 be authorised 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.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

(a) The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

b) 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 impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 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.

11.2.2 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.

11.2.3 Mid-year budget and performance assessment

- a) The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality 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.

MATJHABENG MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

2019/20

CONTENTS

	Description	Page
1.	Scope of the Policy	3
2.	Objective of the Policy	3
3.	Definitions	4
4.	Principles	6
5.	Discretion: Negotiations	8
6	Duties and functions	8
7.	Credit Control	10
8.	Rates and taxes, payment of services rendered, electricity and/or water	11
9.	Provisions regarding fixed property belonging to Council	14
10.	Payment of Rental	14

11.	Arrangements – General Principles	15
12.	Disputes	16
13.	Irrecoverable debt	17
14.	Staff and Councillors Arrears	18
15.	Full and Final Settlements	19
16.	Amounts for Full and Final Settlements	19
17.	Approvals for Write Offs	19

1. SCOPE OF THE POLICY

- 1.1 This Policy applies to all administrations within the defined boundaries of the Matjhabeng Municipality and all the debtors of these administrations.
- 1.2 This policy shall be enshrined in a Municipal by-law in terms of the Local Government: Municipal Systems Act No 32 of 2000 and that such Policy will be binding on the public, officials and Councillors of the Matjhabeng Municipality and that no interference in the process will be permitted.
- 1.3 The policy is applicable until such time as it is reviewed and such revisions to the policy be approved by Council.

2. OBJECTIVE OF THE POLICY

Section 96 of the Local Government Municipal Systems Act requires that the municipality must adopt, maintain and implement a credit and debt collection policy. The responsibility for the credit control/debt collection policy lies with the Municipal Manager as effected by section 99 of the Systems Act. Sect 100 of the Systems Act states that the Municipal Manager must implement and enforce the municipalities' credit control and debt collection policy. In terms of Section 99 the Executive Mayor has the supervisory authority to oversee and monitor the implementation and enforcement of the credit control and debt collection policy, and the performance of the Municipal Manager towards implementing the policy. Therefore the Executive Mayor must ensure that a report is submitted to Council at least every quarter.

The objective of this policy is to:

- 2.1 Focus on all outstanding debt as reflected on the customers' accounts.
- 2.2 Provide for a common credit control, debt collection and indigent policy throughout the Matjhabeng Municipality.
- 2.3 Facilitate implementation throughout the municipal area.
- 2.4 Promote a culture of good payment habits and instil a sense of responsibility towards the payment of municipal accounts and reducing debt to satisfy the constitutional obligation of the Council (i.e. service delivery).
- 2.5 **Collect as much of the debt in the shortest possible time without any interference in the process.**
- 2.6 **Effectively deal with defaulters in accordance with the terms and conditions of the policy.**

3 DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time, except where clearly indicated otherwise. In addition, the following words and phrases shall have the following meanings:

"Account" any account rendered for municipal taxes, services and other charges. This includes charges raised as a result of damages to Municipal property.

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

"arrears" any amount due, owing and payable in respect of municipal services not paid by due date.

"CFO" the Chief Financial Officer.

"Consolidated Account" a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Act

"Credit Authority" any arrangement made by agreement between the Municipality and a customer, for the payment of any arrears, in instalments, whatever the form of such arrangement might be, whether in the form of an acknowledgement of debt, or in correspondence, provided that such arrangement is recorded in writing and signed on behalf of the Municipality by an authorized official.

"Customer" Any person liable to the Municipality for taxation or other charges.

"Defaulter"	any customer in arrears.
Flow restrictor"	a washer which is installed in the water connection which allows a daily consumption of approximately 360 litres in a six hour period but at an extremely low flow rate.
"flow limiter"	an electronic device which allows for a normal flow rate but restricts the daily volume to a preset amount of 300 litres per day.
"Illegal connection"	Any connection to any system through which the municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.
"Leak period"	the metering period immediately prior to the date of repair of the leak and the metering period during which the leak is repaired. Each of these two periods will not exceed 65 days.
"Metering period"	the time interval between two successive billed meter readings but shall exclude previous leak periods.
"MPRA"	the Local Government: Municipal Property Rates Act 6 of 2004.
"MSA"	the Local Government: Municipal Systems Act 32 of 2000
"Owner"	the person defined as such in the Municipality's Rates Policy
"Prescribed form"	refers to the form required by the Chief Financial Officer from time to time.
"Rates"	municipal tax levied on the valuation of property. The rate is expressed as cents in the rand.
"Revenue clearance"	a certificate of the kind referred to in Section 118(1) of the Act.

Certificate

“social housing tenant” any person renting any residential premises from any public legal body for less than a full rack rental or renting residential premises from a private person and receiving from the National / Provincial Government a subsidy or other amount to empower the tenant to pay the full rack rental.

“Sundry charges” a charge to a customer, not directly linked to a property, and includes charges arising from damage to Municipal property and equipment.

“80/20 pre-payment recover” means a pre-payment system whereby 20% of payment is allocated **debt** to arrears and 80% is allocated to the purchase of electricity. This provision excludes Municipal employees and Councillors’ arrears.

"Billing" refers to the process of charging for services provided by issuing accounts.

“Credit control” refers to where certain basic credit worthiness checks must be completed prior to a municipal service being provided and deposits collected.

"Debt collection" refers to the debt recovery process and includes sanctions (warning, disconnection, adverse credit rating, legal process and/or eviction, etc) to be applied in the event of non-payment of accounts.

"Disconnection" means interrupting the supply of water or electricity to a debtor as a consequence of ignoring a Final Demand for payment.

"Due date" refers to the final date of payment as shown on the account.

"Effective" disconnection means the physical removal of pipes and/or equipment as a consequence of unauthorised reconnection (tampering) of the disconnected service as described in 3.4.

"Financial year" means the period as defined in legislation.

"Holistic" refers to the combining of all debt in order to establish the total obligation the debtor has to Council.

"Interest" will be charged on all overdue accounts based on a full month and proportional of a period outstanding as at such a rate as prescribed from time to time.

"Municipality" refers to all administrations within the area of Matjhabeng as created by the Municipal Systems Act.

"Parked arrears" refers to those monies that were capitalized.

"Supply" means any metered supply of water, electricity or any other service supplied by the Council.

4 PRINCIPLES

This policy supports the following principles:

4.1 Human dignity must be upheld at all times.

4.2 Residential- the Municipality will endeavour to register owners only for services on their properties

4.2.1 **The owner will stay responsible and liable for all the debt relating to the property**

4.2.2 **Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default as no tenant account will be opened by municipality even if the owner requests.**

Business– the Municipality will not continue to register tenants for services.

4.2.3 Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default as in 4.2.2

4.2.4 Government– The respective Government Departments shall be held liable for the debts on their property.

4.2.5 Sundry Accounts - The customer must provide the Municipality with a Municipal account number or rate account number. If the customer does not have an existing Municipal account, then a new account must be created.

- 4.2.6 **The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the Municipality, into one consolidated account.**
- 4.2.7 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the Chief Financial Officer has been produced .
- 4.2.8 **If there is an outstanding debt on the property, this debt must be settled in full or suitable payment arrangements must be made by the owner of the property, before any customer/owner is registered for services.**
- 4.2.9 Customer/owner who fails to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.
- 4.2.10 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer/owner to advise the Municipality of such change.
- 4.3 The policy must be implemented with equity, fairness and consistency.
- 4.4 All particulars related to debtors and their accounts must be correct at all times.**
- 4.5 Debtors and arrangements to repay debtors shall be treated historically, but different repayment periods may be determined for different types of service, debtors or areas with a general rule that repayment periods should be in accordance with the instalments that the debtors can afford.
- 4.6 The implementation of this policy shall be based on sound business practices. This includes credit worthiness checks when new application for service is made.
- 4.7 New services will only be provided if there is a clearance certificate indicating all amounts due in respect of municipal services, surcharge on fees, property rates and other municipal taxes, levies and duties at the customer's previous address, if applicable.
- 4.8 The policy must be supported by a comprehensive communication and education strategy.
- 4.9 Where alternatives are available Council may provide reduced levels of service to manage the debt growth.

4.10 **Debtor's may be referred to debt collection institutions and may be placed on the National Credit Rating list.**

4.11 All cost incurred by Council including collection fees, attorney's fees and client fees relating the collection process shall be deemed to be tariff charges and shall be recovered from debtors.

4.12 Interest charged on overdue accounts will start on due date and shall be calculated until payment is made. The interest charged may appear in the following month's account.

The implementation of the credit control and debt collection policy may be applicable to the total outstanding account/s of a debtor and not selective accounts and it will not reverse any prior policy decision before this one.

5. DISCRETION: NEGOTIATIONS

5.1 At all times and at every level, discretion will be used by the authorised official to implement the principles embodied within this policy and to ensure that reasonable payment is negotiated with any debtor.

5.2 The most financially beneficial arrangement to Council must at all times be negotiated. A tenant will not be able to make an arrangement without the owner signing consent.

5.3 The officials negotiating any arrangement will be subject to the authority of the duly appointed financial or legal manager and/or other authorised official on behalf of the council who may or may not accept such an arrangement.

6 DUTIES AND FUNCTIONS

6.1 Duties and Functions of Council

- To approve a budget consistent with the needs of communities, ratepayers and residents in line with the financial capability of Council.
- To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- To facilitate sufficient funds to give access to basic services for the poor.
- To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.

- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the implementing authority.
- To approve a reporting framework for credit control and debt collection.
- To consider and approve bylaws to give effect to the Council's policy.
- To monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- To revise the budget should Council's targets for credit control and debt collection not be met.
- To take disciplinary and/or legal action against councillors, officials and agents who do not execute Council policies and bylaws, or act improperly in terms of such policies.
- To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.
- To provide sufficient capacity in the municipality's Finance Department for credit control and debt collection. Alternatively to appoint a Service Provider as debt collection agent (such service provider must be a registered debt collection agent in terms of legislation).
- To assist the Municipal Manager in the execution of his duties, if and when required.
- To provide funds for the training of staff.

6.2 Duties and Functions of the Mayor, or Executive Committee

- To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant bylaws.
- To monitor the performance of the Municipal Manager in implementing the policy and bylaws.
- To review and evaluate the policy and bylaws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- To report to Council.

6.3 Duties and Functions of Ward Councillors

- To hold regular ward meetings wherein the Credit Control and Debt Collection policy and procedures of Council are addressed.
- To adhere to and convey council policies to resident and ratepayers and in particular the credit control and debt collection policy and procedure.

- To adhere to the Code of Conduct for Councillors.
- To act in terms of roles and functions as approved by Council and assist in the dissemination and distribution of information.

6.4 Responsibilities of all councillors

- To always pay amounts that are owed in respect municipal rates, taxes and services as required by section 12A of Schedule 1 of the Municipal Systems Act and not to default on payments for a period longer than 3 months.
- The municipality may deduct any outstanding amounts from a councillor's allowance, if the councillor has not paid amounts that are due to the municipality for more than 3 months.
- The normal credit control procedures shall also apply to any arrear account of a councillor.
- All agreements with Councillors must not exceed the expiry date of the term of office.

6.5 Duties and Functions of the Municipal Manager

The Municipal Manager, as the accounting officer of the municipality, must take all reasonable steps to ensure that –

- the municipality has effective revenue collection systems consistent with Section 95 of the Act and the Municipality's Credit Control and Debt Collection bylaws and the National Credit Act;
- revenue due to the municipality is calculated on a monthly basis;
- accounts for municipal tax and charges for municipal services are prepared on a monthly basis;
- all money received is promptly deposited into the municipality's primary and other bank accounts;
- the municipality has and maintains a management, accounting and information system which recognizes revenue when it is earned; accounts for debtors; and accounts for receipts of revenue;
- the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
- the municipality charges interest and other permissible charges on arrears, except where the Council has granted exemptions.
- All revenue received by the municipality, including revenue received by any collection agent on its behalf, is reconciled regularly;
- The accounting officer must immediately inform the National Treasury of any payments due by an organ of State to the municipality in respect of municipal

tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

6.6 Responsibilities of all municipal staff

- To always pay amounts that are owed in respect of municipal rates, taxes and services and not to default on payments for a period longer than 3 months.
- The municipality may deduct any outstanding amounts from a staff member, if the staff member has not paid amounts that are due to the municipality for more than 3 months.
- The normal credit control procedures shall also apply to any arrear account of a councillor.
- 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.

6.7 Duties and Functions of Communities, Ratepayers and Residents

The responsibilities of communities, ratepayers and residents are to

- pay deposits, service fees, rates on property and other taxes, levies and duties imposed by the municipality;
- observe the mechanisms and processes of the municipality in exercising their rights;
- allow municipal officials reasonable access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials;
- comply with the bylaws and other applicable legislation;
- Refrain from tampering with municipal services and property.

7 CREDIT CONTROL

7.1 All new applications for the provision of any service will be subjected to the payment of a deposit and completion of the standard prescribed form.

The Council may from time to time review the deposit to be paid by the consumers in terms of this section and, in accordance with such review;

- (a) require that an additional amount be deposited by consumer; or
- (b) credit the account of consumer with such amount as may be held by the municipality in excess of the review deposit.

The municipality shall give the owner or the occupier of the premises where municipal services are rendered reasonable notice of any increase of the deposit.

- 7.2 The Council may determine due to the debtor's municipal payment record or any other credit information of any applicant that an adjustment to the basic deposit be made.
- 7.3 The application form makes provision for submission of board resolutions delegating authority to the applicant on behalf of any business and all other information required, as well as the commitment by any member, partner, trustee, director or wherever applicable to sign as surety in their individual capacity in the case of non-payment of municipal accounts by any principal on whose behalf the applicant is acting.
- 7.4 It is the responsibility of all consumers to ensure that he/she/it receives a monthly account, and if no account is received, the consumer should contact the municipal offices in his/her or its area to obtain such an account or amount, whether telephonically or in person, to be paid not later than the due date.
- 7.5 Should any person, business or other entity be in arrears with any services owing to the municipality tenders for delivery of any service or goods to the municipality, such tender will not be considered until all arrear debts owing to the municipality are liquidated.
- 7.6 Sequestration or liquidation procedures may be instituted where statutory acts of insolvency are committed.
- 7.7 However, special arrangement for payment of accounts in arrears for businesses or non-residential consumers may be entered into, subject to the provisions of paragraph 6.5 above.
- 7.8 Deposits will be payable by all applicants, except those who are exempted from doing so by any relevant act or ordinance applicable and to which provisions the local Government/municipality's authority is subjected to.
- 7.9 No Councillor or Council employee will be allowed to fall in arrears on services or rates account, should this happen such Councillors or employees will be dealt with in terms of

the applicable section of the Municipal Systems Act.

8 RATES AND TAXES, PAYMENT OF SERVICES RENDERED, ELECTRICITY AND/OR WATER

8.1 The Council will regulate through its officials the procedure to be followed for collecting all debt due as set out in the heading hereof, but in general the following procedure is to be followed:

8.1.1 Interest will be charged on all overdue accounts at an interest rate which shall be Determined by the Council from time to time, taking into consideration the provisions of the Usury Act, or any bylaw in existence in which this credit policy and debt collecting policy is to be embodied.

8.1.2 **Should any account not be paid by due date a final demand for payment within 7 (seven) days will be issued and delivered by hand to the domicilium citandi et executandi address of the debtor.**

Should there be no response, the officials will discontinue or reduce the level of services rendered, subject however to any policy or act of Parliament and also in terms of the indigent policy of Council applicable.

8.1.3 The letter of demand shall warn in all four official languages of the Matjhabeng Municipality of the possible disconnections if payment is not received by due date.

8.1.5 After disconnecting services the officials involved will immediately either issue summons and follow the legal process, or will instruct reputable attorneys with proven records of successful collection record to collect all arrears, subject to the following:

a) A sale in execution is to be avoided or only taken as a last resort and the Council's instructions in this regard has to be obtained and the Council hereby authorise and delegate these powers to the relevant officials.

b) The provisions of principles of human dignity as expressed in paragraph 4 above, shall also be applicable and the attorneys instructed should undertake to adhere to these principles.

In the alternative, if any debtor makes arrangements with the municipalities officials and if the arrangements are acceptable, the following will apply:

- a) Interest will be charged as previously stated;
- b) In the event of an annual payer, arrangements may be made to pay current and future rates monthly;
- c) The principal of obtaining the best financial benefits to the Council should apply;
- d) The arrangement will be called "Parked Arrears" as in terms of the definition thereof and interest will be raised on parked arrears in terms of Council's policy on interest, unless otherwise decided.

8.1.6 With regard to discontinuing services, the following procedure will be followed and strictly adhered to:

- a) The notice must be left at the property of the debtor, advising that the supply has been disconnected and that all electric points should be considered live and water outlets should be closed so that damage is not caused.
- b) The notice will also advise that the supply will only be reconnected after the amount specified on the notice has been paid or adequate arrangements be concluded.
- c) The notice must also warn about the consequences of unauthorised reconnection.
- d) Should any services be reconnected, this will be done as soon as possible after payment is received or arrangements made in terms of the arrangements referred to above.
- e) The notice should also advise the debtor that the unauthorised reconnection of a service supply is a criminal offence, and will result in legal action being taken. In this event the water or electricity supply will be so effectively disconnected that it cannot be reconnected. Any reconnection will be considered as a new application for services and the installation costs as determined by Council plus the full amount of the arrears and any unauthorised consumption will have to be paid before reconnection. The installation costs will also be considered as payable before reconnection, which costs will be determined by Council from time to time.
- f) However, under exceptional circumstances, adequate arrangements made for payment may in the discretion of the authorised officials be accepted based on merits and in terms of all principles regarding and applicable to this credit policy.

- 8.1.7 In the Council's discretion, the Council will encourage the installation of energy dispensers at all times, but the policy will be that debtors whose electricity and/or water supply have been disconnected three times because of non-payment, will be compelled to install such a dispenser at own expense before the supply is reconnected, and they should also prove that arrangements for payment of debts and arrears have been made and accepted. It is also to be demanded that 25% of the value of units purchased for electricity or water may be allocated towards the payment of any municipal arrears of any nature.
- 8.1.8 Dishonoured payments by cheque or otherwise regarding payments for rates, general services, other services or payment of fines such as traffic fines etc. Any dishonoured cheque or other negotiable instrument will be handled as follows:
- a) If the drawer of the cheque is an existing debtor of the Council in terms of the application form, bank costs will be debited to the account of the debtor. Debtor will be informed of the dishonoured payment by telephone, fax or personal visit with a letter of notification.
 - b) Should the amount not be paid together with the bank costs within three (3) days, Council will reserve the right to discontinue services forthwith.
 - c) Council may also refuse to accept any further cheques from the debtor.
 - d) Council may also institute criminal charges against the offender if so elected notwithstanding any other action.
 - e) Should the drawer of the cheque not be an existing debtor of Council, the debtor self will be held liable for the dishonoured payment and the same cause of action as set out above will be applied.
 - f) Council will also be empowered to so-called blacklisting the debtor and the drawer of any cheque or other negotiable instrument.
 - g) The general provisions regarding interest, payment of attorney client fees, collection commission etc. will also be applicable should the matter in the normal cause of action be handed to attorneys for collection.

9 PROVISIONS REGARDING FIXED PROPERTY BELONGING TO COUNCIL

The following provisions will be applicable to leases, including rental Schemes and Home-Ownership Arrangements, including failure to pay the Council's bonds granted to employees of the municipality.

9.1 GENERAL PRINCIPLES

It is noted that the following situations may occur:

- 9.1.1 Council leases property to the Council officials or members of the public.
- 9.1.2 The Council sells property to the Council's personnel or members of the public where applicable.
- 9.1.3 The Council provides bonds in order to finance the selling of property.
- 9.1.4 The Council does not provide finance through bonds to the purchaser of Council property.

9.2 THE FOLLOWING GENERAL PRINCIPLES WILL APPLY

- 9.2.1 Officials of Council will ensure that proper contracts are in place in terms of existing laws to be revised in terms of the provisions and amendments to laws through legal advisors or attorneys.
- 9.2.2 All bonds will be duly registered by attorneys appointed by Council.
- 9.2.3 Should any property be sold by means of –

a Sale of Land in terms of Instalments Act, it is necessary for registration against the title deed of such a property to be registered by attorneys appointed by Council. The contract will also be drafted in accordance with the provisions of the said Act.

- 9.2.4 Leases will be drafted and entered into in terms of the applicable Housing Rental Act and the Council's officials will also see to it that all provisions of the said Act be complied with.

10 PAYMENT OF RENTAL

- 10.1 Should any debtor fail to make payment and do not enter into negotiations with the Council for re-scheduling or re-payment of arrears, the bond may be called up or the necessary steps may be instituted to collect arrear rentals and/or arrear bond payments and necessary steps in terms of the Act for the Prevention of Illegal Eviction, No 19 of 1998, might be enforced through legal action.
- 10.2 Should negotiations for re-scheduling of payments be successful, it will include payment of current debt plus arrears per month. Should such an arrangement be reached, it will suspend the debt collection process in terms of the negotiated agreement.

- 10.3 Interest will be charged according to Council policy.
- 10.4 The Ward Councillor will be informed of defaulting debtors or purchasers of property and will be requested to follow up and to protect the interest of Council as far as possible.
- 10.5 Statutory Notices are only required in cases where debtors default on payments regarding purchase of property by instalments for a period more than 12 (Twelve) months and the officials concerned will see to it that such notices be sent in terms of the relevant Act.
- 10.6 The debtor will be responsible to pay all legal costs, including collection fees, attorney client fees and applicable interest and should legal action already have been taken, an acceptable debt re-scheduling agreement must be entered into before legal action is stopped and the costs concerned paid by the debtor.
- 10.7 In the discretion of the officials concerned on behalf of Council, the following payments will be required from debtor prior to stopping legal action:
- 10.7.1 After the issue of summons: normal payment plus arrears to be paid in three (3) monthly payments plus all legal costs as in terms of Council's policy;
 - 10.7.2 Judgment having been obtained: normal charges plus 2 time total payments plus all legal costs as in terms of Council's policy;
 - 10.7.3 Eviction day: all legal costs in terms of Council's policy and all arrears.
- 10.8 Should an arrangement be not adhered to, Council maintains the right to proceed with further legal action without any notice.
- 10.9 All payments to be made in terms of rental schemes or selling of property contracts are to be made in advance by due date.
- 10.10 The attorney will only start legal process with letters of demand where applicable and will always act in terms of the general conditions of this policy and in terms of the provisions of contracts and leases entered into between debtors and the Council.

11 ARRANGEMENTS – GENERAL PRINCIPLES

When making arrangements for arrear debts, the following will be applicable:

- 11.1 Current charges must always be paid in full.
- 11.2 The debtor will be required to prove his income and expenditure in order to ascertain whether he is in a position or able to make reasonable payment of arrears within his ability to pay.
- 11.3 The provisions of the Magistrate's Court Act No 34 of 1942 as amended and the rules applicable thereto will at all times be used. In this regard special training will be given to officials with regard to procedures in terms of Section 57 and Section 58 of the said Act.
- 11.4 Tenants will have to produce a signed consent from the property owner before an arrangement can be approved by the municipality.
- 11.5 Arrangements will be subject to periodical review.
- 11.6 Debit orders may be arranged with the bank of debtor by the debtor himself, but it is noted that all garnishee orders must be served by the Sheriff in terms of the provisions of the Magistrate's Court Act as recently amended. Stop orders may be arranged with their employers by the debtor himself.
- 11.7 In extreme cases any debtor may apply to the municipal manager or the financial manager to in a short-term use discretion in favour of the debtor. In this regard factors such as death in the family etc. may be taken into consideration, but should the debtor not comply with the arrangement, there will be no further extensions.
- 11.8 Any debtor in arrears will be required to comply with arrangements to re-schedule their debt in terms of the Council's provisions applicable and current accounts to be paid will not be negotiable.
- 11.9 Council will in the event of non-payment follow collection procedures to be streamlined by further extension if necessary of this policy or annexure thereto so that maximum efficiency for collecting outstanding debts is reached.

12 DISPUTES

- 12.1 In this item “dispute” refers to the instance when a debtor questions the correctness of any account rendered by the Municipality.
- 12.2 In order for a dispute to be registered with the Municipality, the following procedures must be followed:

By the debtor

- 12.2.1 The dispute must be submitted in writing or dictated to the official who will record it in writing and have it signed as correct. The document must then immediately be lodged with the relevant authorised official.
- 12.2.2 No dispute will be registered verbally whether in person or over the telephone.
- 12.2.3 The debtor must furnish his full personal particulars including his account number, direct contact telephone number, fax number, e-mail addresses and any other relevant particulars required by the Municipality.
- 12.2.4 The full nature of the dispute must be described in the correspondence referred to above.
- 12.2.5 The onus will be on the debtor to ensure that he receives a written acknowledgement of the dispute.

By the Municipality

12.2.6 On receipt of the dispute the following actions are to be taken:

- a) All disputes received are to be recorded in a register kept for that purpose. The following information should be entered into this register:
 - (i) debtors account number;
 - (ii) debtors name;
 - (iii) debtors address;
 - (iv) full particulars of the dispute;
 - (v) name of the official to whom the dispute is given to investigate and resolve in accordance with the provisions contained in this Policy;
 - (vi) actions that have, or were, taken to resolve the dispute;
 - (vii) signature of the controlling official
- b) An authorised controlling official will keep custody of the register and conduct a daily or weekly check or follow-up on all disputes as yet unresolved.
- c) A written acknowledgement of receipt of the dispute must be provided to the debtor.

12.2.7 The following provisions apply to the consideration of disputes:

- a) All disputes must be concluded by the Municipal Manager within 14 (fourteen) calendar days from receipt thereof.
- b) The Municipal Manager's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in this Policy after the debtor is provided with the outcome of the appeal.

- c) The same debt will not again be defined as a dispute in terms of this paragraph and will not be reconsidered as the subject of a dispute.
- d) If the debtor is not satisfied with the outcome of his dispute, he or she may lodge an appeal in terms of section 62 of the Systems Act.

12.2.8 The Municipality reserves the right to declare a dispute on any account as may be deemed necessary.

13 IRRECOVERABLE DEBT

Criteria for irrecoverable debt

13.1 Debt will only be considered as irrecoverable if it complies with the following criteria:

- 13.1.1 all reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount; or
- 13.1.2 if the amount to be recovered is too small to warrant further endeavours to collect it; or
- 13.1.3 the cost to recover the debt does not warrant further action, i.e. to summons in another country; or
- 13.1.4 the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
- 13.1.5 a deceased estate has no liquid assets to cover the outstanding amount; or
- 13.1.6 it has been proven that the debt has prescribed; or
- 13.1.7 the debtor is untraceable or cannot be identified so as to proceed with further action; or
- 13.1.8 it is not possible to prove the debt outstanding; or
- 13.1.9 the outstanding amount is due to an irreconcilable administrative error by the Municipality.

13.2 As rates are deemed to be recoverable in all instances, all requests to write-off debt in respect of rates must be presented as individual items to the official who has delegated authority to authorise such debt to be written off.

13.3 In respect of other debt, schedules indicating the debtor account number, the debtor's name, the physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled.

13.4 Notwithstanding the above, the Municipality or its authorised officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.

14 STAFF AND COUNCILLORS IN ARREARS

- 14.1
- a. Item10 of Schedule 2 to the Act states that: - “A staff member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than three (3) months and a Municipality may deduct any outstanding amounts from a staff member’s salary after this period.”
 - b. The Municipality shall liaise with the relevant staff on repayment of their arrears.
 - c. The staff member must sign a credit authority in accordance with this
Policy.
 - d. No special treatment shall be afforded to staff in arrears.

- 14.2
- a. **Item 12A of Schedule 1 to the Act states that: - “A Councillor may not be in arrears to the Municipality for rates and service charges for a period longer than three months.”**

- b. The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.

- 14.3
- Where the staff or Councillor’s arrears have arisen due to any other reason, such arrear must be paid within 3 months with interest.

- 14.4
- Bonus payments and thirteenth cheques may be appropriated to the whole debt where suitable arrangements have not been made to pay off the debt.**

- 14.5
- On appointment to a higher post, employees who have signed a credit authority shall increase their instalments on the credit authority in accordance with their new salary increase.

- 14.6
- All new employees to the Municipality are required to sign Direct Debits for the services registered in their names.**

15. FULL AND FINAL SETTLEMENTS FOR ACCOUNTS OLDER THAN 2 YEARS

- (a) The Chief Financial Officer shall be at liberty to appropriate monies received in respect of any of its municipal services it deems fit.
- (b) Where the exact amount due and payable to the Council has not been paid in full, any lesser amount tendered to and accepted by any Council employee, except the Chief Financial Officer and/or his/her fully authorised delegate, shall not be deemed to be in final settlement of such an amount.
- (c) Full and final settlement are to be requested by a letter from a property owner and such letter must be forwarded to the Credit Control Manager.
- (d) The CFO and/or his/her delegate shall consent to the acceptance of such a lesser amount in writing.
- (e) In cases where the account is disputed, the Accounting Officer will determine the amount to be written off.
- (f) The Accounting Officer and /or his/her delegate shall consent to the acceptance of such a lesser amount in writing.
- (h) **The Bad Debt Written Off Policy will give power to the CFO to use his/her discretion to give full and final settlement to accounts as requested.**

16 AMOUNTS FOR FULL AND FINAL SETTLEMENTS

Full and final offers will be considered under the following criteria:

- 75% of the outstanding debt to paid in full.
- 25% of the outstanding debt to be written off.
- A report indicating full and final settlement must be submitted to Council on a monthly basis
- **NB: The process of discounts and or full and final settlements will be done once a year (Financial Year) during December and February. This will be advertised and published on print media.**

17. APPROVALS FOR WRITE OFFS:

The Accounting Officer may delegate write off amounts to the CFO, Senior Manager Treasury, Manager Credit Control as per council approved delegated powers.

MATJHABENG LOCAL MUNICIPALITY



POLICY ON INDIGENT CUSTOMERS

2019/2020

TABLE OF CONTENTS

	Page
1. DEFINITIONS.....	27
2. INTRODUCTION.....	28
3. PURPOSE OF THE POLICY	28
4. POLICY PRINCIPLES	29
5. POLICY OBJECTIVES	29
6. LEGISLATIVE FRAMEWORK.....	29
7. TARGETING OF INDIGENT HOUSEHOLDS	30
8. QUALIFICATION CRITERIA	30
9. ASSISTANCE PROCEDURES.....	31
10. INTRODUCTION TO INDIGENT SUPPORT	32
11. THE EXTENT OF INDIGENT SUPPORT	33
12. PROCESS MANAGEMENT.....	34
13. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER	36
14. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION	36
15. TARIFF POLICY	37
16. SOURCES OF FUNDING	37
17. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY	37
18. RESTORING SERVICES TO QUALIFIED HOUSEHOLDS.....	38
19. DEPOSITS	38
20. MONITORING AND REPORTING	38
21. CAPACITY BUILDING.....	38
22. IMPLEMENTATION AND REVIEW OF THIS POLICY	38

MATJHABENG MUNICIPALITY

POLICY ON INDIGENT CUSTOMERS

1. DEFINITIONS+

“Responsible Official” an official duly authorised by the Municipality, or an employee of a service provider appointed by the Municipality, who is responsible for the following:-

- a. to ensure that applications for indigent support are received, assessed and submitted for consideration and approval;
- b. to ensure that approved applications are captured on the Financial Management System; and
- c. to ensure that information on applications are verified and that regular audits are executed.

“household” means a registered owner or tenant with or without children who reside on the same premises;

“indigent” means any household or category of households, earning a combined gross income, as determined by the Municipality annually in terms of a social and economic analysis of its area, which qualifies for rebates/remissions, support or a services subsidy; provided that child support grants are not included when calculating such household income;

"Municipality" means the **Matjhabeng Municipality**, established in terms of Section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, Councillor, duly authorized agent or any employee acting in connection with this by-law by virtue of a power vested in the Municipality and delegated or sub-delegated to such political structure, political office bearer, councillor, agent or employee;

'occupier' means the person who controls and resides on or controls and otherwise uses immovable property, provided that:-

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

'owner', in relation to immovable property, means:-

- a. the person in whom is vested the legal title thereto provided that:-
 - (i) the lessee of immovable property which is leased for a period of not less than fifty years, whether the lease is registered or not, shall be deemed to be the owner thereof; and
 - (ii) the occupier of immovable property occupied in terms of a servitude or right analogous thereto shall be deemed the owner thereof;
- b. if the owner is absent from the Republic or if his or her address is unknown to the Municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property;

- c. if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be; OR
- d. if the Municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;

'premises' includes any piece of land, the external surface boundaries of which are delineated on:-

- a. a general plan or diagram registered in terms of the Land Survey Act, 1997 (Act No. 8 of 1997) or in terms of the Deeds Registries Act, 1937 (Act No. 47 of 1937); or
- b. a general plan registered in terms of the Sectional Titles Act, 1986 (Act No. 95 of 1986), and
- c. situated within the jurisdiction of the Municipality;

'rates' means any tax, duty or levy imposed on property by the Council;

2. INTRODUCTION

- 2.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical development of the community and ensure that all residents and communities in the Municipality have access to at least the minimum level of basic municipal services in terms of Section 152(1) (b) and 153(b) of the Constitution.
- 2.2 Basic services are generally regarded to be access to electricity, access to clean water within a reasonable distance of one's dwelling, basic sanitation, solid waste removal and access to and availability of roads.
- 2.3 The Constitution recognises Local Government as a distinct sphere of Government and as such also entitles Local Government to a share of nationally raised revenue, which will enable it to perform their basic function of providing essential services to the community within their boundaries.
- 2.4 The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the Municipality is not financially burdened with non-payment of services. Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.
- 2.5 To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs.
- 2.6 The customer, in order to qualify as an indigent, needs to complete the necessary documentation as required and agree to regulations and restrictions stipulated by Matjhabeng Municipality.

3. PURPOSE OF THE POLICY

The purpose of this policy is to ensure that the subsidy scheme for indigent households forms part of the financial management system of Matjhabeng Municipality and to ensure that the same procedure is followed for each individual case.

4. POLICY PRINCIPLES

- 4.1 It is against the above background that the Matjhabeng Municipality undertakes to promote the following principles:-
- 4.1.1 To ensure that the portion for free basic services allocated as part of the equitable share received annually will be utilised for the benefit of the poor only and not to subsidise rates and services charges of those who can afford to pay;
 - 4.1.2 To link this policy with the Municipality's Integrated Development Plan (IDP), Local Economic Development (LED) initiatives and poverty alleviation programmes;
 - 4.1.3 To promote an integrated approach to free basic service delivery; and
 - 4.1.4 To engage the community in the development and implementation of this policy.

5. POLICY OBJECTIVES

In support of the above principles the objectives of this policy will be to ensure the following:-

- 5.1 The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;
- 5.2 The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation;
- 5.3 Establishment of a framework for the identification and management of indigent households including a socio-economic analysis and an exit strategy;
- 5.4 The provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households;
- 5.5 To ensure co-operative governance with other spheres of government; and
- 5.6 To enhance the institutional and financial capacity of the Municipality to implement the policy.

6. LEGISLATIVE FRAMEWORK

This policy is designed and implemented within the framework of the following legislation:-

- 6.1 The Constitution of the RSA, 1996;
- 6.2 Local Government Municipal Systems Amendment Act, 2003, Act No 44 of 2003;
- 6.3 The Local Government Municipal Finance Management Act 2003, Act no 56 of 2003;
- 6.4 The Promotion of Administrative Justice Act, 2000, Act no 3 of 2000;
- 6.5 The Promotion of Access to Information Act, 2000, Act no 2 of 2000; and
- 6.6 The Local Government Municipal Property Rates Act, 2004, Act no 6 of 2004.
- 6.7 FBS Policy, all other sectors policies

6.8 White Paper on Local Government

7. TARGETING OF INDIGENT HOUSEHOLDS

7.1 The effective targeting of indigent households and the implementation of this policy will depend largely on the social analysis included in the IDP, the LED initiatives and other poverty relief programmes of the Matjhabeng Municipality. The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent households. Against the background of such socio-economic analysis, the Municipality must within its financial and institutional capacity decide which targeting approach or option should be applied.

7.2 The Municipality may apply the following targeting methods:-

Targeting approach	Application
1. Service levels	Lowest service levels normally in informal settlements and rural areas.
3. Household income	Threshold shall be determined in terms of socio-economic analysis equalling two state pension grants per Indigent household or an amount determined by the Council from time to time.
4. Geographical (Zonal) targeting	Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

7.3 For the 2019/2020 financial year the Municipality will use household income as the targeting approach for the registration and verification of indigent customers.

8. QUALIFICATION CRITERIA

Qualification criteria for indigent support shall be determined by the Municipality from time to time, provided that until the Matjhabeng Municipality determines otherwise, the following criteria shall apply:-

8.1 The applicant must be a resident within the Matjhabeng municipal area.

8.2 The applicant must be in possession of a valid South African identity document.

8.3 The total monthly gross income of the registered owner his/her spouse or life companion is not more than an amount as determined by Council from time to time. This amount 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 less or equal to the amount received by two state pensioners as determined annually by the Minister of Finance.

No tenants is allowed to register as an Indigent.

8.4 The applicant must be the owner who receives municipal services and is registered as an account holder on the municipal financial system;

- 8.5 Any occupant or resident of the single household referred to above may not benefit in more than one property in addition to the property in respect of which indigent support is provided.
- 8.6 The current account of a deceased estate may be subsidised if the surviving spouse or dependants of the deceased who occupy the property, applies for assistance. Relevant supporting documentation need to be submitted as part of the application in order for the municipality to assist with the costs of transferring the property (e.g Housing permit, Court order , letter of Authority and Marriage Certificate).
- 8.7 The applicant whose total monthly household exceed the threshold but the circumstances are such that the applicant is not able to pay for services (eg. When the applicant uses most of the monthly income towards payment of medication) may apply. Their applications will be considered by Council on merit.

9. ASSISTANCE PROCEDURES

9.1 Communication

- 9.1.1 The Municipality will from time to time inform and educate the communities in order to have a clear understanding of this policy and its implementation.
- 9.1.2 Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in general and methods of communication may include, but will not be limited to:-
 - 9.1.2.1 Ward committees;
 - 9.1.2.2 Community Development Workers (CDW's);
 - 9.1.2.3 Local radio stations and news papers;
 - 9.1.2.4 Municipal accounts;
 - 9.1.2.5 Imbizo's and road shows; and
 - 9.1.2.6 Sector department road shows (sharing resources promotion of access to services)
 - 9.1.2.7 Jamborees where government and municipal officials are made available to assist residents with applications such as ID applications, pension- and social grant applications, etc.

9.2 Institutional Arrangements

The Municipality must designate existing staff or appoint officials, or engage appointed Community Development Workers who have been trained in terms of the Municipality's directions to assist with the implementation and development of this policy and must establish appropriate registration points in its area, the cost of which may be funded through the equitable share allocation.

9.3 Application/Registration

- 9.3.1 A person applying for indigent support must complete a formal indigent support application form approved by the Municipality.
- 9.3.2 Such forms will be available at approved registration points provided by the Municipality.
- 9.3.3 Applications for the indigent subsidy must be accompanied by the following documentation:-
 - 9.3.3.1 The latest municipal account/ account information for the household;
 - 9.3.3.2 Proof of the identity of the account holder; and
 - 9.3.3.3 Proof of the income of all occupants on the property; i.e. a letter from his/her employer, salary slip/ envelope, pension grant receipt or bank statement showing the grant transferred unemployment insurance fund (UIF) card or a certificate that confirms registration as “looking for employment”; or
 - 9.3.3.4 Bank Statement for the last three months certified by the bank and a statement from the applicant that no other bank accounts exist.
 - 9.3.3.5 In the absence of any proof to be submitted either through paragraphs 9.3.3.3 or 9.3.3.4 a sworn affidavit must be submitted together with the documentation required in terms of paragraphs 9.3.3.1 and 9.3.3.2.

9.4 Assessment and Screening of Applicants

Upon registration of an application, all information will be verified by the responsible officials.

9.5 Recommendation and Approval

Once the verification has been completed the responsible official must submit the application and recommendation to the relevant Supervisor for review and submission of a batch for approval.

To ensure credibility Councillors, Ward Committees, will be consulted as part of the verification process.

9.6 Indigent Applications submitted by Councillors and Ward Committees

All application forms collected or completed by Ward Councillors and Ward Committees on behalf of the beneficiaries will be submitted to the responsible official and will be processed in line with paragraph 9.3 and 9.5 above.

9.7 Right of Appeal

An applicant who feels aggrieved by a decision taken in respect of his or her application may lodge an appeal in terms of section 62 of the Municipal Systems Act, Act no 32 of 2000.

10. INTRODUCTION TO INDIGENT SUPPORT

- 10.1 The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

- 10.2 The general threshold for indigent support is restricted to qualifying households with a total monthly gross income of the registered owner and his/her spouse or life companion not more than an amount as determined by Council from time to time. This amount 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 less or equal to the amount received by two state pensioners as determined annually by the Minister of Finance.

11. THE EXTENT OF INDIGENT SUPPORT

Within the above mentioned budgetary process and in striving to create the situation where poor households will be granted access to a full social package, assistance and support to households may be granted as set out below.

11.1 Electricity

- 11.1.1 All registered indigents will receive 50 kWh of electricity per month fully subsidised or an amount to be determined by Council on an annual basis. Meter numbers must be provided by the consumers for this subsidy.
- 11.1.2 Unused/Uncollected free electricity units will not be carried over to the next month. Any meter tampering will result in the subsidisation to be withdrawn. In the event of the electricity supplied by Eskom directly the Municipality will pay over an amount to Eskom equal to 50 kWh of electricity per month based on the customers registered with the Matjhabeng Municipality as indigents and not based on any indigent records submitted by Eskom.

11.2 Water

- 11.2.1 All registered indigents will receive 6 kilolitres of water per month fully subsidised or an amount as determined and provided for by the Council in the annual budget from time to time.
- 11.2.2 The subsidy shall not be more than the applicable tariff for that year and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.
- 11.2.3 All registered indigents' leaks on internal water infrastructure, where possible, shall be repaired free of charge by the Municipality.

11.3 Sanitation

- 11.3.1 All registered indigents shall be fully subsidised for sanitation charges calculated on the bases of the market value of the property.
- 11.3.2 Residential property with a Market Value Equal or less than value as per tariff schedule are exempted from paying sanitation charges.
- 11.3.3 The subsidy shall not be more than the applicable tariff for that year and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

11.4 Refuse Removal

- 11.4.1 All registered indigents shall be fully subsidised for the basic levy for refuse removal for one service connection as provided for by Council in the annual budget from time to time.
- 11.4.2 Residential property with a Market Value Equal or less than value as per tariff schedule are exempted from paying refuse charges
- 11.4.3 The subsidy shall not be more than the applicable tariff for that year and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

11.5 Property Rates

- 11.5.1 All registered indigents shall be fully subsidised for the payment of property rates provided for by Council in the annual budget from time to time and subject to the provisions of the Municipal Property Rates Act.
- 11.5.2 The subsidy shall not be more than the applicable tariff for that year, and will be applied for the duration of that particular financial year. The subsidy shall form part of the tariff policy applicable for the financial year.

11.6 Burials

- 11.6.1 In the event of the death of a member of a registered indigent household, the Municipality will exempt the household from the cost of digging and preparation of a grave, provided that the burial takes place in a municipal cemetery. Such application must be accompanied by a certified copy of the Death Certificate, Burial Order and a sworn affidavit regarding the relationship of the applicant.
- 11.6.2 In the event of the dead of a member of a registered indigent household, the municipality will follow the processes outline in the "Guidelines for the burial of indigent persons and unidentified bodies" which forms part of this policy attached hereto as an annexure.

12. PROCESS MANAGEMENT

12.1 Applications

- 12.1.1 The indigent application form should be completed in full.
- 12.1.2 All applications must be sworn by the SAPS or a Commissioner of Oath.
- 12.1.3 Applicants must give permission that the information submitted may be verified by a credit bureau or similar agency.
- 12.1.4 Compile all pre-approved and rejected applications to department supervisor.
- 12.1.5 Supervisor will take all indigents applications to manager indicating which ones have been pre-approved and which one has been rejected.

12.2 Validity Period

- 12.2.1 The validity period of assistance will be for the duration that the applicant remains indigent. Households, in terms of the audit and review process, will be subjected to scrutiny to determine any change in status.
- 12.2.2 Households may have to periodically re-apply. The period of validity will be determined by the Municipality from time to time. Re-application must be done at least once in a year cycle or any other period as may be determined by the Municipality.
- 12.2.3 Pensioners and disabled person will re-register and there is a need for this group to re-apply. However, the periodic verification must be performed in order to ascertain that the right people are enjoying the benefit.

12.3 Death of Registered Applicant

In the event that the approved applicant passes away the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met. These are now husband or wife or child minded homes.

12.4 Publication of Register of Indigent Households

- 12.4.1 Names of indigent beneficiaries must be open for public perusal and comment. The Municipality will put names and addresses on a list of account holders who receives subsidy in terms of this Policy.
- 12.4.2 Written objections from the public must be referred to the responsible official who will be responsible for investigating the validity of the complaint and referral to the Indigent Committee for appropriate action.

12.5 Arrears and Excess Usage of Allocations

- 12.5.1 Upon registration as an indigent household, the arrears on the account of the applicant will be written off.
- 12.5.2 Where restriction of consumption applies to a particular service, applicants may not refuse to be restricted in terms of Council policy. Where restrictions are not possible the account holder will be responsible for the consumption in excess of the approved subsidy.
- 12.5.3 Current policy requires that upon approval of indigent status the customer's meters for after will be converted to pre-paid meters for Automated Meter Reading (AMR), at the cost of Council (**currently the municipality does not have capacity to do this**).
- 12.5.4 If a pre-paid meter cannot be installed immediately the customer may be subjected to restriction measures to only allow for the monthly minimum free basic services.
- 12.5.5 **The writing off of any arrears is strictly subject to the provision that the property may not be sold within a period of three years from the date that the owner qualify as a registered indigent. In the case of the property being sold inside a period of three years the arrear debt, excluding any further accumulated interest, will be recovered before a clearance certificate is issued**

Costs for operation and maintenance of infrastructure at indigent households to be borne by the municipality (Align it with Water Conservation and Demand Management Plan)

12.6 Termination of Indigent Support

Indigent Support will be terminated under the following circumstances:-

12.6.1 If the applicant is found to have misled Council about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply:-

12.6.1.1 All arrears will become payable immediately;

12.6.1.2 Stringent credit control measures will apply; and

12.6.1.3 The applicant will not be eligible to apply for indigent support for a period of five (5) years.

12.7 Audit and Review

12.7.1 The Municipality may conduct regular audits of the indigent register with regard to the information furnished by applicants, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of applicants.

12.7.2 The frequency of audits will depend on the institutional capacity of the Municipality to do so. Targeted audits and reviews should be undertaken to ensure the verification of each qualified indigent customer at least once in a three (3) year cycle.

12.7.3 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.

12.7.4 Where any doubt exists regarding the current status of a registered indigent customer, the matter should immediately be referred to the responsible official for verification at any time.

13. DRAFTING AND MAINTENANCE OF AN INDIGENT REGISTER

13.1 The Municipal manager or his/her delegate will be responsible to compile and administer the database for households registered in terms of this policy.

13.2 Registration will take place on a continuous basis and in accordance with the programme. The Municipality may decide to launch special registration campaigns from time to time.

13.3 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.

14. PENALTIES AND DISQUALIFICATION FOR FALSE INFORMATION

14.1 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. Non-compliance will make the application invalid.

- 14.2** Any person who supplies false information will be disqualified from further participation in the subsidy scheme and be liable for the immediate repayment of all subsidies received and all debts including arrears that have previously been written off. **Council may furthermore institute criminal proceedings, as it may deem fit.**
- 14.3** The onus also rests on indigent support recipients to immediately notify Council of any changes in their indigence status.

15. TARIFF POLICY

- 15.1** The Municipal Systems Amendment Act 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.
- 15.2** A tariff policy must reflect, amongst others, at least the following principles, namely that:-
- 15.2.1** The amount individual users pay for their services should generally be in proportion to their use of that service;
- 15.2.2** Poor households must have access to at least basic services through-
- 15.2.2.1** tariffs that cover only operating and maintenance costs;
- 15.2.2.2** special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
- 15.2.2.3** any other direct or indirect method of subsidisation of tariffs for poor households.
- 15.2.3** The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

16. SOURCES OF FUNDING

- 16.1** 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.
- 16.2** The Municipality resolves to subsidise all registered indigents for property rates, electricity, water, sewerage, refuse removal and burials per month or an amount to be determined annually by Council.
- 16.3** If approved as part of the tariff policy the amount of subsidisation may at any time be increased through cross subsidisation.

17. METHOD OF TRANSFER AND THE VALUE OF THE SUBSIDY

- 17.1** 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.
- 17.2** 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.

18. RESTORING SERVICES TO QUALIFIED HOUSEHOLDS

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.

19. DEPOSITS

19.1 In terms of Councils Credit Control and Debt Collection Policy all customers must apply for the provision of municipal services before such services are rendered to a particular property. On application for the provision of municipal services the customer deposit prescribed by Council shall be paid.

19.2 For the purposes of registering and allocating the applicable subsidy to qualified indigent customers, accounts will be opened for these customers without requiring any deposit. This is made possible through the fact that the value of services levied against these accounts is fully offset on a monthly basis against the applicable indigent subsidy. This arrangement will immediately terminate if the status of the indigent customer changes.

20. MONITORING AND REPORTING

The Chief Financial Officer and Credit Control Manager must report quarterly to the Municipal Manager via the Municipality's Service Delivery and Budget Implementation Plan to enable the Municipal Manager to report to Council and other interested parties. Such report shall reflect on:-

- 20.1 Number of indigent household applications received;
- 20.2 Amount of subsidy allocated per benefit category;
- 20.3 Amount of debt accumulating and debt recovery information (number of customers; enquires; default arrangements; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);

21. CAPACITY BUILDING

The Municipality must ensure that all officials and councillors are appropriately capacitated in Free Basic Services in terms of the following key areas:-

- 21.1 Database management;
- 21.2 Demand and revenue management; and
- 21.3 Policy and by-law implementation.

22. IMPLEMENTATION AND REVIEW OF THIS POLICY

- 22.1 This policy shall be implemented once approved by Council. All future applications for indigent registrations must be considered in accordance with this policy.
- 22.2 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.



MATJHABENG LOCAL MUNICIPALITY SUPPLY CHAIN MANAGEMENT POLICY

**MUNICIPAL SUPPLY CHAIN
MANAGEMENT POLICY
LOCAL GOVERNMENT:
MUNICIPAL FINANCE
MANAGEMENT ACT, 2003
Date of adoption: 31st January
2019**

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 Matjhabeng Local Municipality.

TABLE OF CONTENTS

1. Definitions

**CHAPTER 1
IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY**

2. Supply chain management policy

3. Amendment of supply chain management policy
4. Delegation of supply chain management powers and duties
5. Subdelegations
6. Oversight role of council
7. Supply chain management units
8. Training of supply chain management officials

CHAPTER 2 SUPPLY CHAIN MANAGEMENT SYSTEM

9. Format of supply chain management system
 - Part 1: Demand management*
 10. System of demand management
 - Part 2: Acquisition management*
 11. System of acquisition management
 12. Range of procurement processes
 13. General preconditions for consideration of written quotations or bids
 14. Lists of accredited prospective providers
 15. Petty cash purchases
 16. Written or verbal quotations
 17. Formal written price quotations
 18. Procedures for procuring goods or services through written or verbal

quotations and formal written
price quotations

19. Competitive bidding process

20. Process for competitive bidding

21. Bid documentation for competitive bids

22. Public invitation for competitive
bids

23. Procedure for handling, opening and recording
of bids

24. Negotiations with preferred bidders

25. Two-stage bidding process

26. Committee system for
competitive bids

27. Bid specification committees

28. Bid evaluation committees

29. Bid adjudication committees

30. Procurement of banking services

31. Procurement of IT related goods or services

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

33. Procurement of goods necessitating special safety arrangements

34. Proudly SA Campaign

35. Appointment of consultants

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

37. Unsolicited bids

38. Combating of abuse of supply chain management system

Part 3: Logistics, Disposal, Risk and Performance Management

39. Logistics management

40. Disposal management

41. Risk management

42. Performance management

Part 4: Other matters

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

44. Prohibition on awards to persons in the service of the state

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

46. Ethical standards

47. Inducements, rewards, gifts and favours

48. **Sponsorships**

49. Objections and complaints

50. Resolution of disputes, objections, complaints and queries

51. Contracts providing for compensation based on turnover

Definitions

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

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

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

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

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

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

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

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

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

“list of accredited prospective providers” means the list of accredited prospective providers which the Matjhabeng Local Municipality must keep in terms of paragraph 14 of this policy and and MFMA Circular 81 – CSD;

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

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

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

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

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

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

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 Matjhabeng 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 Matjhabeng 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.

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

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

Amendment of the supply chain management policy

3. (1) The accounting officer must –

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

(2) If the accounting officer submits proposed amendments to the council that differs from the

model policy issued by the National Treasury, the accounting officer must –

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

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

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) this Policy;
 - (b) to maximise administrative and operational efficiency in the implementation of this Policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption,

- favouritism and unfair and irregular practices in the implementation of this Policy; and
- (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

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

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

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

Subdelegations

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

- (2) The power to make a final award –
 - (a) above R10 million (VAT included) may not be subdelegated by the accounting officer;
 - (b) above R2 million (VAT included), but not exceeding R10 million (VAT included), may be subdelegated but only to –
 - (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
 - (c) not exceeding R2 million (VAT included) may be subdelegated but only to –
 - (i) the chief financial officer;
 - (ii) a senior manager;
 - (iii) a manager directly accountable to the chief financial officer or a senior manager; or
 - (iv) a bid adjudication committee.

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

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

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

- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a 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
 - (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 subdelegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.
- (7)** No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

- 6. (1) The council reserves its right to maintain oversight over the implementation of this Policy.
- (2)** For the purposes of such oversight the accounting officer must –
 - (a) (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy to the council of the Matjhabeng Local Municipality; and
 - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report 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.

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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local Municipality supply chain management system, including -

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

Range of procurement processes

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

- (a) petty cash purchases, up to a transaction value of R2 000 (VAT included);
- (b) written or verbal quotations for procurements of a transaction value over R2 000 up to R10 000 (VAT included);
- (c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
- (d) a competitive bidding process for—
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) the procurement of long term contracts.

(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 Matjhabeng Local 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) The accounting officer must

—

- (a) keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements through written or verbal quotations and formal written price quotations; and
- (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation

and listing as accredited prospective providers;

(c) specify the listing criteria for accredited prospective providers; and

(d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to

submit applications for listing at any time.

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

Petty cash purchases

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) council	may	delegate
responsibility	may	delegate

- responsibility for petty cash to an official reporting to the manager;
- (b) the maximum number of petty cash purchases or the maximum amounts per month for each manager;
- (c) any types of expenditure from petty cash purchases that are excluded, where this is considered necessary; 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.

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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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)council requirements for proper record keeping.

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
 - (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 Matjhabeng Local 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 Matjhabeng Local Municipality that 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.

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 Matjhabeng Local 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 Matjhabeng Local 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.

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.
- (a) 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;
- (b) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.

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 Matjhabeng Local 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 2017; and
- (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

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

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

Bid evaluation committees

28. (1) A bid evaluation committee must –

- (a) evaluate bids in accordance with –
 - (i)** the specifications for a specific procurement; and
 - (ii)** the points system set out in terms of paragraph 27(2)(f).
- (b) evaluate each bidder’s ability to execute the contract;
- (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

- (2) A bid evaluation committee must as far as possible be composed of-
- (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the Matjhabeng Local Municipality.

Bid adjudication committees

29. (1) A bid adjudication committee must –
- (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.

- (2)** A bid adjudication committee must consist of at least four senior managers of the Matjhabeng Local Municipality which must include –
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the Matjhabeng Local Municipality; and
 - (c) a technical expert in the relevant field who is an official, if such an expert exists.

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

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

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

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

(b) The accounting officer may –

- (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
- (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

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

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

Procurement of banking services

30. (1) A contract for banking services –

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

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

(3) The closure date for the submission of bids may not be less than 60

days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

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

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

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

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

(4) If SITA comments on the submission and the Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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.
- (3) 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 Matjhabeng Local Municipality.

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

- 36. (1) The accounting officer may –
 - (a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - (iv) acquisition of animals for zoos and/or nature and game reserves; or

- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

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

(3) 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
- (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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local Municipality or has committed any improper conduct in relation to such system;

- (ii) has been convicted for fraud or corruption during the past five years;
- (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
- (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

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

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

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

- (a)** the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b)** the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
- (c)** the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d)** before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract;

- (e)** appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f)** regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g)** monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

40. (1) The 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:

(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 –

- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;

- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
- (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

Risk management

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

(2) Risk management must include –

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

Performance management

42. The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the

authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

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

43. (1) No award above R30 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) Refer to MFMA Circular 90 regarding tax compliance status.

Prohibition on awards to persons in the service of the state

44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
- (a) who is in the service of the state;
 - (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
 - (c) a person who is an advisor or consultant contracted with the Matjhabeng Local Municipality.

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

45. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is

a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

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

Ethical standards

46. (1) A code of ethical standards as set out in [subparagraph (2) / the “*National Treasury’s code of conduct for supply chain management practitioners and other role players involved in supply chain management*”] is hereby established for officials and other role players in the supply chain management system of the Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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 Matjhabeng Local 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 –

- (a) any inducement or reward to the Matjhabeng Local 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 Matjhabeng Local Municipality and other persons regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
- (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

(2) The accounting officer, or another official designated by the accounting officer, is

responsible for assisting the appointed person to perform his or her functions effectively.

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

- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.

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

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

Contracts providing for compensation based on turnover

51. If a service provider acts on behalf of a Matjhabeng Local 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 Matjhabeng Local Municipality must stipulate –

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

Commencement

52. This Policy takes effect on 31st January 2019.

MATJHABENG LOCAL MUNICIPALITY



PETTY CASH

POLICY

MATJHABENG LOCAL MUNICIPALITY

PETTY CASH POLICY

Purpose of policy

1. Where the need may arise in a department/division to have cash available for payments of a minor and recurring nature and it is impracticable to obtain cheque payments for every expense, such payments may be handled by means of petty cash facilities.
2. The Municipal Manager may delegate control and management of the petty cash float to the Chief Financial Officer in which event reference to the Municipal Manager in this policy shall be construed as reference to the Chief Financial Officer.
3. At the discretion of the Municipal Manager, departments or divisions of the Municipality may be provided with their own petty cash floats.
4. In the event where the Municipal Manager appoints an officer to take control of a petty cash float, he/she must be independent of all other cash functions such as cashiering.
5. In the event of a department or division being authorised to keep a petty cash float, the Head of the Department or Division concerned shall designate a staff member of that department/division as a departmental or divisional petty cash officer.

Maximum Petty Cash Float

The Municipal Manager may determine the maximum amount per petty cash officer, which may be withdrawn from the banking account of the Council for purposes of departmental/divisional floats.

Procedures for the handling of Petty Cash

1. The application for a petty cash facility or for increase of the operational amount of an existing petty cash float, must be made in writing to the Municipal Manager.
2. The application must state reasons for the need of a petty cash float and the amount required for its operation, as well as the cost centre from which funds are to be applied for the petty cash. The amount should be sufficient to cover expenses for approximately a month.
3. The responsibility for operating petty cash and the safe keeping of petty cash funds in a department or division must be assigned to the designated petty cash officer only, and the head of the department/division shall be co-responsible for petty cash management in such department or division.
4. The keeping of a formal petty cash register is compulsory, except where petty cash expenses is posted directly on the official financial system of the municipality.
5. Payments to establish a petty cash float may only be, by way of a cheque made payable to the designated petty cash officer and upon submission of a requisition or memo signed by such petty cash officer.
6. Petty cash payments may only be made by the designated petty cash officer upon production of a petty cash voucher accompanied by proper supporting documents such as cash sale slips or receipts containing the supplier's name.
7. The petty cash limit per expenditure voucher shall be set at R 10 000.00 PM , VAT inclusive, except if the Municipal Manager or Chief Financial Officer authorise the petty cash voucher for a higher amount.
8. If cash is advanced without supporting documents it should be on the basis of an advance or I.O.U , under signature of the receiving official, and authorised by the Head of the Department or divisional head. The receiving official must ensure that the relevant cash slips or receipts must reach the petty cash officer not later than three working days after the money was received.

9. The petty cash officer must regularly pursue outstanding advances and long outstanding advances must be brought to the attention of the Chief Financial Officer who must take the appropriate action to ensure that the amount advanced has been properly spent and proof of the expenditure is submitted.
10. Each petty cash voucher must be signed by the receiving official, Head of department or divisional head and a senior official of the finance department.
11. When the cash in the petty cash float is almost exhausted, the petty cash register must be balanced and reconciled.
12. Replenishment of the petty cash float is undertaken after the balancing and reconciliation of the petty cash register has been checked and approved by the Chief Financial Officer or manager of the finance department.
13. A cheque must be made out to the petty, Full time Political Office Bearers Secretary Senior Managers' Secretary, cash officer for the replenishment of the petty cash float and such cheque must be encashed by this officer who must record the amount received in the petty cash register.
14. Petty cash funds must at all times be secured in a lockable container suitable for securing money, and secured in a lockable cabinet.
15. Reasonable precautions must be exercised for the safe keeping of the keys to the petty cash container and room where it is kept.
16. Petty cash funds are to be used exclusively for the payment of smaller official expenses, excluding the following:
 - No private loans from petty cash funds are permitted.
 - No staff cheques may be cashed out of petty cash funds.
 - No travelling claims of officials may be paid from petty cash funds.
 - No installment invoices such as the rental of equipment are permitted.

It is forbidden to purchase a capital item / asset through petty cash.

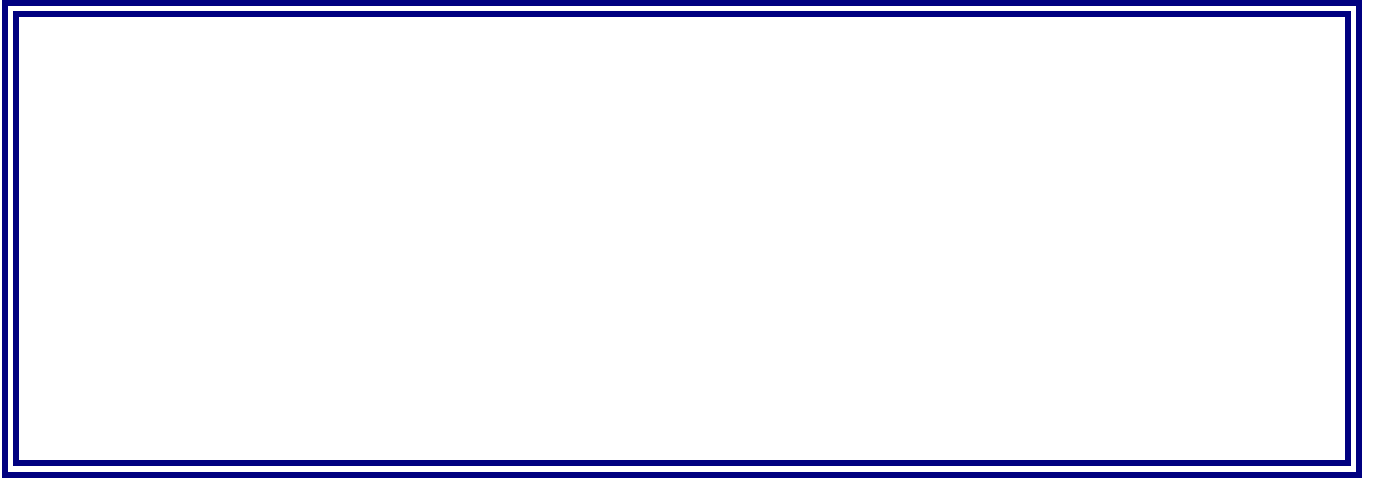
17. The petty cash is operated by means of imprest payments. The cash balance added to the total expenses at any stage, must be equal to the authorised imprest amount. The internal or external auditors of the municipality may at any stage without prior notice, perform an audit of a petty cash to confirm the cash balance.
18. Shortages and surplus funds concerning petty cash must immediately be paid in at the cashier and the reason for the shortage/surplus must be investigated by the head of the department or division with a view to rectification.
19. The total amount of petty cash, in the form vouchers or cash, shall be counted (physical verification) in full at the end of the financial year, before closure of the revenue offices, and these should equal the authorised imprest amount. This step is in line with the accrual basis of accounting.

MATJHABENG MUNICIPALITY

PROPERTY RATES POLICY

2019/ 2020





INDEX

	<u>Page</u>
1. LEGISLATIVE CONTEXT	116
2. DEFINITIONS	116
3. POLICY PRINCIPLES	121
5. APPLICATION OF THE POLICY	122
6. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES	122
7. CATEGORIES OF PROPERTY	123
8. CATEGORIES OF OWNERS	124
10. DIFFERENTIAL RATING	125
11. EXEMPTIONS AND IMPERMISSIBLE RATES	126
12. REDUCTIONS	128
13. REBATES	129
14. PAYMENT OF RATES	133
15. ACCOUNTS TO BE FURNISHED	136
16. PHASING IN OF RATES	137
17. SPECIAL RATING AREAS	137
18. FREQUENCY OF VALUATION	138
19. COMMUNITY PARTICIPATION	139
20. REGISTER OF PROPERTIES	139
21. BY-LAWS TO GIVE EFFECT TO THE RATES POLICY	140
23. ENFORCEMENT/IMPLEMENTATION AND ENQUIRIES	140

MATJHABENGLOCAL MUNICIPALITY

PROPERTY RATES POLICY

1. LEGISLATIVE CONTEXT

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

2. DEFINITIONS

- 2.1 “**Act**” means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- 2.2 “**Agent**”, in relation to the owner of a property, means a person appointed by the owner of the property-
- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
 - (b) to make payments in respect of the property on behalf of the owner;

- 2.3 **“Agricultural purpose”** in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game; 2.4 **“Annually”** means once every financial year;
- 2.5 **‘Bona fide farmers’** is a person that is fulltime farmer and if such land is used *bona fide* and exclusively by the owner or occupier for agricultural purposes;
- 2.6 **“Category”**
- (a) in relation to property, means a category of properties determined in terms of Section 7 of this policy; and
 - (b) in relation to owners of properties, means a category of owners determined in terms of Section 8 of this policy.
- 2.7 **“Child-headed household”** means a household where the main caregiver of the said household is younger than 18 years of age. Child-headed household means a household headed by a child as defined in terms of section 28(3) of the Constitution.
- 2.8 **“Definitions, words and expressions”** as used in the Act are applicable to this policy document where ever it is used;
- 2.9 **“Land reform beneficiary”**, in relation to a property, means a person who -
- (a) acquired the property through -
 - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
 - (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
 - (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No 28 of 1996);
 - (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution (Act No.108 of 1996) be enacted after this Act has taken effect;
- 2.10 **“Land tenure right”** means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004 (Act No.11 of 2004);
- 2.11 **“Municipality”** means the Local Municipality of Matjhabeng;
- 2.12 **“Newly Rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding –

- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and
- (b) a property identified by the Minister by notice in the Gazette where the phasing-in of a rate is not justified;

2.13 **“Owner”-**

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;(b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, 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
- (iv) a judicial manager, a legal person and person in the case of a property in the estate of a person under the following:
- (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude 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;

2.14 **“Person”** includes an organ of state.

- 2.15 **“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.

2.15.1 “Private owned property” means property not owned or vested in the state or an organ of state.

- 2.16 **“Property”** means -

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

- 2.17 **“Public service infrastructure”** means publicly controlled infrastructure of the following kinds:

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water 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 a 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) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or

navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;

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

2.18 **“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.

2.19 **“Rural communal settlements”** means the residual portion of rural communal land excluding identifiable and rateable entities within the property and excluding State Trust Land and land reform beneficiaries as defined in the Act.

2.20 **“state trust land”** means land owned by the state-

- (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure;
- (b) over which land tenure rights were registered or granted; or
- (c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994).

2.21 **“Rateable property”** means property on which the Council may in terms of sections 2 and 7 of the Act levy a rate ,excluding property fully excluded from the levying of rates in terms of section 17 of the Act.

- 2.22 “Technical and other colleges” means a public college and a private college as contemplated in the further education and training college act 16 of 2006.
- 2.23 “Threshold” means the amount , determined from time to time by the Council during its annual budget process referred to in section 12(2) of the act, to be deducted from the market value of residential properties, resulting in rates to be determined on the balance of the market value of such properties only.

3. POLICY PRINCIPLES

- 3.1 Rates are levied in accordance with the Act as an amount in the rand based on the market value of all rateable property contained in the municipality’s valuation roll and supplementary valuation roll.
- 3.2 As allowed for in the Act, the municipality has chosen to differentiate between various categories of property and categories of owners of property as contemplated in clause 7 and 8 of this policy. Some categories of property and categories of owners are granted relief from rates. The municipality however does not grant relief in respect of payments for rates to any category of owners or properties, or to owners of properties on an individual basis.
- 3.3 There would be no phasing in of rates based on the new valuation roll, except as prescribed by legislation and in accordance with clause 16 of this policy.
- 3.4 In accordance with section 3(3) of the Act, the rates policy for the municipality is based on the following principles:
- (a) Equity
The municipality will treat all ratepayers with similar properties the same.
 - (b) Affordability
The ability of a person to pay rates will be taken into account by the municipality. In dealing with the poor/indigent ratepayers the municipality will provide relief measures through exemptions, reductions, rebates and cross subsidy from the equitable share allocation.
 - (c) Sustainability
Rating of property will be implemented in a way that:
 - i. it supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality;

- ii. Supports local, social and economic development; and
- iii. Secures the economic sustainability of every category of ratepayer.

(d) Cost efficiency

Rates will be based on the value of all rateable property and will be used to fund community and subsidised services after taking into account profits generated on trading (water, electricity) and economic (refuse removal, sewerage removal) services and the amounts required to finance exemptions, rebates, reductions and phasing-in of rates as approved by the municipality from time to time.

4. SCOPE OF THE POLICY

- 4.1 This policy document guides the annual setting (or revision) of property rates tariffs. It does not necessarily make specific property rates tariff proposals. Details pertaining to the applications of the various property rates tariffs are annually published in the Provincial Gazette and the municipality's schedule of tariffs, which must be read in conjunction with this policy.

5. APPLICATION OF THE POLICY

- 5.1 In imposing the rate in the rand for each annual operating budget component, the municipality shall grant exemptions, rebates and reductions to the categories of properties and categories of owners as allowed for in this policy document.

6. PRINCIPLES APPLICABLE TO FINANCING OF SERVICES

- 6.1 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
 - ii. Electricity
- (b) Economic services
 - i. Refuse removal.
 - ii. Sewerage disposal.
- (c) Community and subsidised services

These include all those services ordinarily being rendered by the municipality excluding those mentioned in 6.1 (a) and (b).

- 6.2 Trading and economic services as referred to in clauses (a) and (b) must be ring fenced and financed from service charges while community and subsidised services referred to in clause (c) will be financed from surpluses on trading and economic services, regulatory fees, rates and rates related income.

7. CATEGORIES OF PROPERTY

- 7.1 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:-

7.1.1 Residential properties;(Includes Town Houses ,Flats, Single Units and Multi Units)

7.1.2 Industrial properties;

7.1.3 Business properties; (Retail shops, Commercial office block)

7.1.4 Agricultural properties;

7.1.5 Small Holdings;

7.1.6 State owned properties;

7.1.7 Municipal properties used for essential services;

7.1.8 Municipal properties leased to private individuals for private use.

7.1.9 Public service infrastructure referred to in the Act;

7.1.10 Properties owned by Public Benefit Organisations;

7.1.11 Public worship

7.1.12 Educational;

7.1.13 Residential Vacant Stands.

7.1.14 Commercial Vacant Stands

7.1.15 Crèche

7.1.16 Guest House

- 7.1.17 Mining
- 7.1.18 Multi Purpose
- 7.1.19 Private Road
- 7.1.20 Private Open Space
- 7.1.21 Casino
- 7.1.22 Motor Racing Track
- 7.1.23 *Grains and Oilseeds Silo Storage*
- 7.1.24 *National roads*
- 7.1.25 *Industrial*
- 7.1.26 *Hotel*
- 7.1.27 *Nature reserve*
- 7.1.28 *Land reform beneficiary*
- 7.1.29 *Tele-Communication Tower*

- 7.2 In determining the category of a property referred to in 7.1 the municipality shall take into consideration the dominant use of the property, regardless the formal zoning of the property.
- 7.3 Properties used for multiple purposes shall be categorised and rated as provided for in section 9 of the Act and as more fully described in clause 9 of this policy.

8. CATEGORIES OF OWNERS

- 8.1 For the purpose of granting exemptions, reductions and rebates in terms of clause 11, 12 and 13 respectively the following categories of owners of properties are determined:-
 - (a) Those owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality;

- (b) 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;
- (c) Owners of property situated within an area affected by-
 - i. a disaster within the meaning of the Disaster Management Act, 2002 (Act No. 57 of 2002); or
 - ii. serious adverse social or economic conditions.
- (d) Owners of residential properties with a market value below the amount as determined annually by the municipality in its budget;
- (e) Owners of agricultural properties as referred to in clause 13.1 (d); and
- (f) 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.

9. PROPERTIES USED FOR MULTIPLE PURPOSES

- 9.1 Rates on properties used for multiple purposes will be levied in accordance with the “dominant use of the property”.
- 9.2 Taverns, Bed and breakfast, Mechanical workshop practices will still need to operate from municipal authorised or zoned properties if not, they will be rated in accordance with “dominant use of the property, in addition, the 35% of the market value will be imposed as a non compliance penalty.

10. DIFFERENTIAL RATING

- 10.1 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 local, social and economic development of the municipality.
- 10.2 Differential rating among the various property categories will be done by way of:-
 - (a) setting different cent amount in the rand for each property category; and
 - (b) by way of reductions and rebates as provided for in this policy document.

11. EXEMPTIONS AND IMPERMISSIBLE RATES

11.1 The following categories of property are exempted from rates:-

(a) Municipal properties

All Municipal properties rendering basic services under municipal management are exempted from paying rates as it will increase the rates burden or service charges to property owner, consumers and communities. However, where municipal properties are leased to private individuals, the lessee will be responsible for the payment of determined assessment rates.

(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 2019/2020 financial year the maximum reduction is determined as R75 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 R60 000 is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

All private owned vacant land (Undeveloped) will be charged a base rate of R100.00 per month. the R75 000.00 discounts will not apply in this regards.

(c) Public Service Infrastructure

The first 30% of the market value of 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 clause 2.15(b) of this policy is exempted from paying rates.

11.2 Exemptions in 11.1 will automatically apply and no application is thus required.

11.3 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 National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003) or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, 2004, 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.

11.4 Public Benefit Organisations (PBO’s)

Taking into account the effects of rates on PBOs performing a specific public benefit activity and registered in terms of the Income Tax Act for tax reduction because of those activities, the following Public Benefit Organizations may apply for the exemption of property rates:-

- (a) *Welfare and humanitarian*
For example PBOs providing disaster relief.
- (b) *Health Care*
For example PBO’s providing counselling and treatment of persons afflicted with HIV and AIDS including the care of their families and dependents in this regard.
- (c) *Education and development*
For example PBO’s providing early childhood development services for pre-school children.
- (d) *Sporting bodies*
Property used by an organization for sporting purposes on a non-professional basis:
- (e) *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.
- (f) *Museums, libraries, art galleries and botanical gardens*
Property registered in the name of private persons, open to the public and not operated for gain.
- (g) *Animal welfare*
Property owned or used by organizations whose exclusive aim is to protect birds, reptiles and animals on a not-for-gain basis such as SPCA.
- (h) *Cemeteries and crematoriums*

Property used for cemeteries and crematoriums.

(i) *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.

(j) *Charitable institutions*

Property owned or used by institutions or organizations whose aim is to perform charitable work on a not-for-gain basis.

- 11.5 All possible benefiting organisations in clause 11.4 must apply annually for exemptions. All applications must be addressed in writing to the municipality by 30 April 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.
- 11.6 Public benefit organisations 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.

12. REDUCTIONS

- 12.1 Reductions as contemplated in section 15 of the Act will be considered on an *ad-hoc* basis in the event of the following:-
- 12.1.1 Partial or total destruction of a property.
- 12.1.2 Disasters as defined in the Disaster Management Act, 2002 (Act 57 of 2002).
- 12.2 The following conditions shall be applicable in respect of 12.1:-
- 12.2.1 The owner referred to in 12.1.1 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.
- 12.2.2 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).

12.2.3 An ad-hoc reduction will not be given for a period in excess of 6 months, unless the municipality gives further extension on application.

12.2.4 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.

13. REBATES

13.1. Categories of property

(a) 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, land owner, legal person 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.

(b) Privately owned towns serviced by the owner

The municipality grants 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 2.14 of this policy. All applications must be addressed in writing to the municipality by 30 April 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 2019/2020 financial year the rebate is determined as 20%.

(c) 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 occurrence of 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).
- iii. An additional rebate of maximum 10% in total 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 such residential properties are provided with potable water.
 - c. 2,5% if the farmer for the farm workers electrifies such residential properties.
 - d. 2,5% for the provision of land for burial to own farm workers and educational and recreational purposes to own farm workers as well as people from surrounding farms.
- vi. The granting of additional rebates is subject to the following:-
 - a. The farm owner must be taxed by SARS as a farmer and proof to this extent in the form of the last tax assessment must be submitted. If no such tax assessment can be submitted, proof is required that income from farming activities exceeds 40% of the household income.
 - b. All applications must be addressed in writing to the municipality by 30 April 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 2019/2020 financial year and onwards must be addressed in writing to the municipality by 30 April 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.

- c. 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.
- d. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.
- e. 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 11.1(b) of this policy.
- f. The Municipal By Laws to be active and give and remove any illegal structures within seven days as this are not categorized hence they consume water and electricity.

13.2 Categories of owners

Indigent owners and child headed families will receive a 100% rebate from rates:-

(a) Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality. If qualifying in terms of the indigent policy this 100% rebate will automatically apply and no further application is thus required.

(b) Child headed families

- i. Families headed by children will receive a 100% rebate for paying rates, according to monthly household income. To qualify for this 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 2019/2020 financial year this amount is determined as R3 200 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.

(c) Retired and Disabled Persons Rate Rebate

- i. Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income. To qualify for the rebate a property owner must:-
 - a. occupy the property as his/her normal residence;
 - b. be at least 60 years of age or in receipt of a disability pension from the Department of Welfare and Population Development;
 - c. be in receipt of a total monthly income from all sources as annually determined by the municipality (including income of spouses of owner);
 - d. not be the owner of more than one property; 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. 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.
- iii. All applications must be addressed in writing to the municipality by 30 April 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 2019/2020 financial year the total monthly income and corresponding rebate is determined as follows:-
 - a. R0 to R2 160 per month- 100%.
 - b. R2 611 to R6 000 per month - 80%.
 - c. R6 001 to R9 000 per month - 70%.
 - d. R9 001 to R13 000 per month - 20%
- iv. The municipality retains the right to refuse the exemption if the details supplied in the application form were incomplete, incorrect or false.

- 13.3 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.
- 13.4 The extent of the rebates granted in terms of 13.1 and 13.2 must annually be determined by the municipality and included in the annual budget.

14. PAYMENT OF RATES

14.1 The rates levied on the properties shall be payable:-

- (a) On a monthly basis; or*
- (b) Annually, before 31 June each year.*

14.2 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.

14.3 Rates payable on an annual basis, excluding annual rates levied on state owned properties, will be subject to a discount of 5% if paid in full on or before 31 June of each year.

14.4 Interest on arrears rates, whether payable on or before 31 June or in equal monthly instalments, shall be calculated in accordance with the provisions of the credit control, debt collection and indigent policy of the municipality.

14.5 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, Debt Collection and indigent policy of the Municipality.

14.6 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. No interest if its municipal error and there will be a short term settlement for reimbursement to role players.

14.7 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.

14.8 *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.*

14.9 *(a) if the rates payable to a council in respect of rateable property have been in arrears for a period of not less than 3 years and the owner of the rateable property cannot be traced, The Municipality may cause a notice:*

1) Giving a description of such rateable property

2) Disclosing the name of the owner as registered in the deeds registry and the number and date of the deed relating thereto.

3) Stating that such rates are unpaid and giving particulars thereto.

4) Demanding payment thereof, and

5) Stating that in default of payment thereof together with interest thereon, within three months after the date of the last publication of such notice, the council will take possession of and sell such property.

To be published once in the gazette and once a week for the three consecutive weeks in the press.

(b) If after the expiration of the 3 months after the last publication of the notice referred to in paragraph (a) such arrears rates and the interest thereon have not been paid, the council may take possession of such rateable property and sell it by public auction: provided

(i) the auction shall be advertised by notice published once in the gazette and once a week for the consecutive weeks in the press.

(ii) if the property is mortgaged, the council shall, at least 7 days before the first publication of the notice advertising the auction, give every mortgage a written notice of its intention to sell the property, and

(iii) if, before the auction is commenced, the owner pays the rates and interest thereon together with the expenses incurred by the council in connection with the rateable property in terms of this sub-section, the property concern shall not be sold and the owner may resume possession thereof.

14.9.1 Municipal owned Residential Properties that are occupied by the Municipal Employees or any other legal person; the incumbent will be liable for market related payments for rates purposes as per the Valuation Roll.

14.10 IMMOVABLE PROPERTY NOT TO BE TRANSFERED UNLESS RATES etc THEREON PAID.

14.11 RECOVERY OF RATES

(1) Rates levied by a council shall be a debt due to such council, and such council may, in addition to the powers it may exercise in terms of subsection (2) and (3), sue for and recover such rates by action in any court of competent jurisdiction.

(2) whenever any rates are payable to a council by a person in respect of rateable property of which such person is the owner, the Municipal Council may, after having given written notice to such owner that such rates are due and payable, order the occupier of the rateable property by a notice in writing to pay the rent which is, or may become due and payable by such occupier in respect of such property, to such council in settlement of such rates, and thereafter such rent shall, until such rates and the interest thereon have been paid in full, be a debt due to such council instead of the person to whom such rent would otherwise would be due.

(3) (a) if the rates payable to the council in respect of rateable property have been in arrears for a period of not less than three years and the owner of the rateable property cannot be traced, such council may cause a notice-

i, Giving a description of such rateable property; *ii*, disclosing the name of the owner as registered in the deeds relating thereto; *iii*, stating that such rates are unpaid and giving particulars thereof; *iv*, demanding payment thereof; and *v*, stating that in default of payment thereof together with the interest thereon, within three months after the date of the last publication of such notice, the council will take possession of and sell such property, to be published once in the *Gazette* and once a week for three consecutive weeks in the press.

(3)(b) if after the expiration of three months after the last publication the notice referred to in paragraph 3 (a) such arrears rates and the interest thereon have not been paid, the council may take possession of such rateable property and sell it by public auction/market value; provided that-*i*, the auction/market value shall be advertised by notice published once in a gazette and once a week for three consecutive weeks in the press. if the property is mortgaged, the council shall, at least seven days before the first publication of the notice advertising the auction, give every mortgagee written notice of its intention to sell the property; and. *iii*, If, before the action/selling at market value, the owner pays the rates and interest thereon together with the expenses incurred by the council in connection with the rateable

property in terms of this sub-section, the property concerned shall not be sold and the owner may resume possession thereof.

(3)(c) whenever rateable property has been sold by a council in terms of paragraph (3) (b), the council may give transfer of such property as if the council had been the registered owner thereof, the registrar of deeds shall give transfer of such property, without the production to him of the title deeds thereof, if there is submitted to him as a certificate signed by the Municipal Council /Municipal Manager that he has been unable to trace such title deeds.

(3)(d) after the payment of the cost incurred by a council in connection with the taking possession of and sale of rateable property in terms of this sub-section, the balance of the proceeds of such sale shall be applied to the payment of the rates and other charges, together with interest, due to such council in respect of such property and any balance of such proceeds remaining after such costs, rates, charges and interests have been paid shall be paid to the person in law entitled thereto, or if such person cannot be found or minor or there is any doubt to who is entitled thereto it shall be paid into the guardian's fund referred to in section 86 of the Administration of estates act,1965.

15. ACCOUNTS TO BE FURNISHED

15.1 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, and
- (v) rebates, exemptions, reductions or phasing-in, if applicable.

15.2 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.

15.3 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.

16. PHASING IN OF RATES

16.1 The rates to be levied on newly rateable property shall be phased in as explicitly provided for in section 21 of the Act.

16.2 The phasing-in discount on the properties referred to in section 21 shall be as follows:-

- First year : 75% of the relevant rate;
- Second year : 50% of the relevant rate; and
- Third year : 25% of the relevant rate.

16.3 No rates shall be levied on newly rateable properties that are owned and used by organisations conducting activities that are beneficial to the public and that are registered in terms of the Income Tax Act for those activities, during the first year. The phasing-in discount on these properties shall be as indicated below:-

- First year : 100% of the relevant rate;
- Second year : 75% of the relevant rate;
- Third year : 50% of the relevant rate; and
- Fourth year : 25% of the relevant rate.

17. SPECIAL RATING AREAS

17.1 The municipality will, whenever deemed necessary, by means of a formal Council resolution determine special rating areas in consultation with the relevant communities as provided for in section 22 of the Act.

17.2 The following matters shall be attended to in consultation with the committee referred to in clause 17.3 whenever special rating is being considered:-

17.2.1 Proposed boundaries of the special rating area;

17.2.2 Statistical data of the area concerned giving a comprehensive picture of the number of erf with its zoning, services being rendered and detail of services such as capacity, number of vacant erf and services that are not rendered;

17.2.3 Proposed improvements clearly indicating the estimated costs of each individual improvement;

17.2.4 Proposed financing of the improvements or projects;

17.2.5 Priority of projects if more than one;

17.2.6 Social economic factors of the relevant community;

17.2.7 Different categories of property;

17.2.8 The amount of the proposed special rating;

17.2.9 Details regarding the implementation of the special rating;

17.2.10 The additional income that will be generated by means of this special rating.

- 17.3 A committee consisting of 6 members of the community residing within the area affected will be established to advise and consult the municipality in regard to the proposed special rating referred to above. This committee will be elected by the inhabitants of the area concerned who are 18 years of age or older. No person under the age of 18 may be elected to serve on the committee. The election of the committee will happen under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no decisive powers.

This must be a competent legal person with a wide general knowledge of the subject and not limited to persons in one area or this committee but to openly and transparently advise and consult the municipality when the need arise.

- 17.4 The required consent of the relevant community shall be obtained in writing or by means of a formal voting process under the chairmanship of the Municipal Manager. A majority shall be regarded as 50% plus one of the households affected. Each relevant household within the special rating area, i.e. every receiver of a monthly municipal account, will have 1 vote only.
- 17.5 In determining the special additional rates the municipality shall differentiate between different categories as referred to in clause 7 of this policy.
- 17.6 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.
- 17.7 The municipality shall establish separate accounting and other record-keeping systems for the identified area and the households concerned shall be kept informed of progress with projects and financial implications on an annual basis.

18. FREQUENCY OF VALUATION

- 18.1 The municipality shall prepare a new valuation roll at least every 4 (four) years.
- 18.2 In accordance with the Act the municipality, under exceptional circumstances, may decide to extend the validity of the valuation roll to 5 (five) years by applying for approval to the MEC for Local Government and Housing in the province.

- 18.3 Supplementary valuations will be done on a continual basis but at least on an annual basis.

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 Conspicuously display the draft rates policy for a period of at least 30days (municipality to include period decided on) at the municipality's head and satellite offices, libraries and on the website.
- 19.1.2 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 municipal official website, such notice be on local and provincial newspapers for the general public and stakeholders.
- 19.1.3 Property owners and interest persons may obtain a copy of the draft policy from the municipal offices during office hours at a fee as determined by Council as part of its annual tariffs. Property owners and interest persons are invited to submit written comments or representations to the municipality within the specified period in the notice.
- 19.1.4 Council will consider all comments and/or representations received when considering the finalisation of the rates policy.

20. REGISTER OF PROPERTIES

- 20.1 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.
- 20.2 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.
- 20.3 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.

- 20.4 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.
- 20.5 The municipality will update Part A of the register during the supplementary valuation process.
- 20.6 Part B of the register will be updated on an annual basis as part of the implementation of the municipality's annual budget.

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 recent legislation.

23. ENFORCEMENT/IMPLEMENTATION AND ENQUIRIES

- 23.1 This policy has been approved by the Municipality in terms of resolutiondated and takes effect on the effective date of the first valuation roll on 1 July 2015.

MATJHABENG LOCAL MUNICIPALITY



TARIFF POLICY

2019/2020

TABLE OF CONTENTS

1. Foreword.....	3
2. Definitions	4

3.	Introduction	5
4.	Objective.....	5
5.	Principles	5
6.	Classification and Pricing Strategies of Services	7
6.1	Trading Services	7
6.2	Rates and General Services.....	8
6.2.1	Economic Service.....	8
6.2.2	Subsidised Services	9
6.2.3	Community Services	10
6.3	Housing and Hostel Services	10
7.	Policy Proposal	12
7.1	A minimum amount of basic services must be free	12
7.2	Keeping Tariffs Affordable.....	12
7.3	Redistribution / Cross Subsidization.....	13
7.4	Promoting Local and Economic Competitiveness and Development	13
7.5	Ensuring Financial Sustainability of Service Delivery	13
7.6	Indigents.....	13
8.	Tariff Determination Process.....	14

1. Foreword

In terms of Section 62 (1) of the Municipal Finance Management Act (MFMA)

the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality and, in terms of S62 (1) (f), must for this purpose take all reasonable steps to ensure – “that the municipality has and implements a tariff policy referred to in Section 74 of the Municipal Systems Act” (MSA). In giving effect to S74 (1) of the Municipal Systems Act, the municipality adopts the following as the framework tariff policy within which the municipal council must adopt various policies.

2. Definitions

In this policy:

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

“municipal council” means a municipal council referred to in section 157 of the Constitution and for this by-law includes a municipal local council and a municipal district council, as the case maybe;

“poor households” means those households in the municipal area that cannot afford to pay either the entire tariff charge for the municipal services, or part of it;

Also means those households in the municipal area living in property with a municipal property valuation under R30 000 and earn less than R1880 per month.

“tariff policy” means a policy on the levying of fees, rates or taxes for the municipal services provided by the municipality itself and that complies with the Municipal Systems Act 2000 (Act 32 of 2000);

“the Act” means the Municipal Systems Act 2000, (Act 32 of 2000) (MSA).

3. Introduction

One of the primary functions of a local authority is to provide services to the people resident within its municipal area. The funding of these services is made possible by levying property taxes, charging for municipal services rendered and levy collection through business levies. Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality. These are calculated dependent on the nature of service being provided. They may be set in a manner so as to recover the full cost of the service being provided or recover part of the costs or bring about a surplus that can be utilized to subsidise other non-economical services.

4. Objective

The objective of the tariff policy is to ensure that:

4.1 The tariffs of the Municipality comply with the legislation prevailing at the time of implementation.

4.2 The Municipal services are financially sustainable, affordable and equitable.

4.3 The needs of the indigent, aged and disabled are taken into consideration.

4.4 There is consistency in how the tariffs are applied throughout the municipality and;

4.5 The policy is drawn in line with the principles as outlined in the MSA

4.6 To ensure that the municipality, in levying of fees for services provided shall at all times take into cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs have on local economic development.

5. Principles

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

5.1 The users of municipal services should be treated equitably in the application of tariffs.

5.2 As far as practically possible, consumers should pay in proportion to the amount of services consumed.

5.3 All households, with the exception of the poor (indigent), should pay the full costs of services consumed. Poor households must have **access to at least a minimum** level of basic services through:

5.3.1 Tariffs that cover the operating and maintenance costs,

5.3.2 Special lifeline tariffs for low levels of use or consumption of services or for basic levels of service, or

5.3.3 Any other direct or indirect method of subsidization of tariff for poor households.

5.4 Tariff must include the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement and interest charges.

5.5 Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned.

5.6 Provision may be made in appropriate circumstance for a surcharge on the tariff for a service.

5.7 Provision may be made for the promotion of local economic development through a special tariff for categories of the commercial and industrial users.

5.8 The economical, efficient and effective use of resources, the recycling of wastes and other appropriate environmental objectives must be encouraged.

5.9 The extent of subsidization of the poor households and other categories of users should be fully disclosed.

5.10 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region for the following four major services;

- Electricity, Water, Sewerage and Refuse

5.11 The municipality differentiates between the following categories of users with regard to tariffs which it levies;

- Residential, Business, Industrial and Government consumers

5.12 Matjhabeng has adopted two -part tariff structure, namely;

- monthly availability charges for the above services.
- monthly charge based on consumption

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

6. Classification and Pricing Strategies of Services

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

- In determining the tariffs which must be charged for supply of services, the municipality identifies all costs of operation of undertakings concerned, including the following; Costs of bulk purchases, distribution costs, losses, depreciation, maintenance of fixed assets, administration and service costs, costs of approved indigency relief measure and intended surplus.
- The tariffs levied for domestic water consumption shall escalate according to the volume of water consumed.

- Tariffs for non-domestic water consumption shall be based on each kilo liter consumed, irrespective of the volume of consumption concerned.
- Tariffs for pre-paid meters shall be the same as ordinary consumption tariffs levied on the category of consumer concerned, but no availability charge shall be levied.

6.1 Trading Services

These services are defined as services whereby the consumption of the service is measurable and can be accurately apportioned to an individual consumer. These services are hence managed like businesses. The tariffs for these services are budgeted for in such a way that at least a breakeven situation for the municipality will be realised. Examples of these services include water and electricity. The Council's pricing strategy for these services is to recover the full cost of rendering the service to the communities. For this purpose full costs includes:-

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

Electricity Tariffs

- The following categories of electricity consumers will be charged applicable tariffs as approved by Council in each financial year and implemented as soon as the NERSA approval has been obtained;

- Vacant stands shall liable to pay an availability charge for all services.
- All indigent domestic consumers of electricity receive the first 50kw/h free
- All commercial, industrial, and other non-domestic properties shall additionally be billed a monthly basic charge per separate business and where applicable, demand charge appropriate to their respective levels of consumption. The owner of the erf on which such charges is raised will be liable to pay the charges levied for each individual business. Tenants will only be liable for consumption charges.
- Municipality's departmental electricity consumption will be charged at cost or as been approved by the NERSA.

Water Tariffs

- The following categories of water consumers will be charged applicable tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Tariff for domestic consumption shall be charged for actual water consumed at a stepped tariff per kilo liter as determined by Council, except for registered indigents.
- Tariffs for non-domestic water consumption shall be based on each kilo liter consumed, irrespective of the volume of consumption concerned.
- A monthly availability charge per meter installed/business, as determined by Council, shall be charged on all water consumers (except for registered indigents). The owner of the erf on which such charges is raised will be liable to pay the charges levied for each individual business. Tenants will only be liable for consumption charges.
- Vacant stands shall liable to pay an availability charge for all services
- Municipality's departmental water consumption will be charged at cost.

6.2 Rates and General Services

This service is further classified into 3 categories i.e. economic, subsidized and community services.

6.2.1 Economic Service

These are services for which tariffs are fixed in such a way that the full cost of providing the service is recovered without incurring a surplus or deficit e.g. trade effluent includes commercial and industrial refuse removal. The consumption of an economic service can be measured or determined with reasonable accuracy and apportioned to an individual consumer. Whilst they are also managed like

businesses, the tariffs for these services are normally determined in such a way that user charges cover the cost of providing the service.

These costs can be determined as follows:-

- Full cost of providing the serviced as explained in 6.1 above.
- The rate per unit is based on projected usage.

6.2.2 Subsidised Services

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

Refuse Removal Tariffs

- The following categories of refuse removal users will be charged applicable fixed monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Domestic and other users (once weekly removal).
- Business and other users (twice weekly removal)
- Business and other users (thrice weekly removal)
- Business and other users (bulk removals)
- Municipality's monthly departmental charge shall be equal to the lowest tariff.
- The owners of erf will be liable to pay for the charges of each individual unit.

Sewerage Tariffs

- The following categories of sewerage users will be charged applicable monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- A monthly basic (availability) charge shall be charged on undeveloped erf (vacant stand), irrespective of their permitted or intend of use.
- Monthly charges shall be charged for domestic users on percentage of water consumed.
- A fee shall be payable by factories and other industrial users where waste water emanating from such users requires special purification.
- Municipality's monthly departmental charge shall be equal to the lowest tariff.
- The owners of erf will be liable to pay for the charges of each individual unit.

6.2.3 Community Services

Community services are those services for which the Council is unable to accurately determine the consumption and hence apportion to individual consumers. These services are typically financed through property rates.

These services include the operation and maintenance of parks and recreation facilities, provision and maintenance of roads and storm water drainage systems, the establishment, management and maintenance of cemeteries and traffic regulation.

In addition to the above services domestic refuse and sewage removal is also a community service provided directly to all the residents and for which costs form part of a balanced budget. The Municipality also provides support services such as committee services, records and archives, financial

management accounting and stores, occupational health and human resources management, which are financed through property rates.

6.3 Housing and Hostel Services

These are usually grouped into three categories, namely, letting schemes, selling schemes and hostels. All income and expenditure transactions in respect of such schemes fall into this category and the objective of the service is to be economic i.e. the operating income should cover the operating expenditure. Rentals shall be market related in line with MFMA. In addition other functions are being carried out on an agency basis as these are not deemed as Local Government functions.

Minor Tariffs

- The following minor services will be charged applicable monthly tariffs as approved by Council in each financial year and implemented as from 01 July each year;
- Minor services where tariffs levied shall cover 100% or as near as possible to 100% of the annual operating expenses, namely;
 - Maintenance of graves
 - Miscellaneous services
 - Housing rentals
 - Rental for use of municipal halls
 - Rental of municipal sporting fields
 - Rental of municipal facilities
 - Swimming pools
 - Building plan fees
 - Sales of plastic refuse bags
 - Cleaning of stands
 - New connection fees (Electricity, Water and Sewerage)
 - Sales of livestock and plants

- Photostat copies and fees
 - Clearance certificates
 - Burials and cemeteries
 - Fire & Rescue services
- Minor services where no tariffs shall be levied for their use, namely;
 - Municipal museum
 - Municipal lending library (except for fines)
 - Municipal parks and open spaces
 - The following charges shall be considered as regulatory or punitive;
 - Fine for lost or overdue library books
 - Advertising sign fees
 - Pound fees
 - Electricity disconnection and reconnection fees
 - Penalty and charges imposed in terms of debt collection policy
 - Penalty for dishonored and unacceptable cheques
 - Fines and penalties for littering and other offences

7. Policy Proposal

7.1 A minimum amount of basic services must be free

The Municipality subscribes to the policy that all poor households are entitled to a minimum amount of free basic services. A basic service is a service that is necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health or safety of the environment. These services include:

- Potable water

- Domestic wastewater and sewage removal
- Domestic refuse removal
- Electricity, and
-

The Council is aware that it currently provide these services to all residents within its municipal area. It is also aware that, more than likely, some of the services it currently provides in conjunction with the abovementioned services, may be transferred or assigned to other bodies. In the latter case, the Council commits itself to make representations and negotiate with those service providers to achieve its goal. The Council realizes that in order to achieve its goal, a minimum amount of basic services should be free to the poor, whilst tariffs for services above the minimum level of consumption will have to be increased. These increases are necessary to make good any shortfall resulting from free services and to ensure a balanced budget on the trading account. In order to ensure affordable services, the Council will introduce a stepped tariff structure in which consumers that use more of a service will pay progressively more for the higher consumption than those who consume less of a service.

7.2 Keeping Tariffs Affordable

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

- Services are delivered at an appropriate level,
- Efficiency improvements are actively pursued across the Municipality's operations,
- A performance management system is introduced to ensure that plans that are devised are actually implemented, that resources are obtained as economically as possible, used efficiently and effectively and that appropriate service delivery mechanisms are used,
- Any non-core functions that it currently performs are phased out as soon as possible without depriving the community of any services that really contributes to the quality of life of people in our area, and;
- Any service that is provided for which there is little demand, be priced at the actual cost of providing it. If this requires the Municipality to maintain significant infrastructure and other facilities, they should be phased out, except where the Council is by law required to provide such a service.

7.3 Redistribution / Cross Subsidization

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

7.4 Promoting Local and Economic Competitiveness and Development

The size of the property rates and service charges accounts presented to the local businesses, is a significant business overhead for any business enterprise in the Municipal area. The overhead of a business is one of the factors that influence the price of goods and services sold by it, and therefore its profitability and chances of survival. The Council will take care that the municipal accounts presented to local businesses are fair. To ensure fairness toward local business, the Council will, when it determines tariffs, take into account the desire:

- To promote local economic competitiveness and
- To promote local economic development and growth.

7.5 Ensuring Financial Sustainability of Service Delivery

The Constitution, Local Government Municipal Systems Act, 2000 and Water

Services Act of 1997 requires that the Municipality must ensure that the services that it provides must be sustainable. Financial sustainability of the municipality will be achieved when it is financed in a manner that ensures that it exhibits, at least, a break-even position. The tariff for a service must therefore be sufficient to cover the cost of the initial capital expenditure required and interest thereon, managing and operating the service and maintaining, repairing and replacing the physical assets used in its provision. However, sustainability does not only mean that the price of the service must include all the relevant cost elements, it also means that charges to be levied must be collected. The Council will therefore adopt and apply a Credit Control and Debt Collection policy to ensure that property rates and service charges are fully recovered.

7.6 Indigents

The indigent assistance scheme will apply to tariffs set by the Council. This is laid out in Municipality's Indigent Policy. With regards to customer service agreements, deposits and guarantees, accounts and billing, and all other items pertaining to credit control and debt collection, related to tariffs, reference

must be made to the Credit Control and Debt Collection Policy. No indigent person shall be allowed to rent Municipal flat or hostel.

8. Tariff Determination Process

Except in special circumstances, such as significant increases in the Consumer Price Index, the council will review its tariffs during the preparation of the annual budget in accordance with the policy stated above. Proposed tariffs will be presented to the community during Councils consultation process about the budget.

In terms of Section 75 (A) of the MSA Amendment Act 51/2002, a municipality may operate such;

- That it can levy and recover fees, charges or tariffs in respect of any function or service of the municipality,
- That fees and charges levied are passed by the municipal council with a supporting vote of a majority of its members.
- The proposed tariffs will be presented to the community during Council's consultations process about the budget.

The annual tariffs per service should be compared to the activity based costing results, to view the profitability per service and level of cross subsidization. The goal should be to, where possible, provide a cost-reflective service charge.

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

The notice must state:

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

If no objection is lodged within the period stated in the notice the determination or amendment will come into operation on the date determined by the Council.

Where an objection is lodged, the Municipality will consider every objection.

The Council may, after it has considered all objections, confirm, amend, or withdraw the determination or amendment or may determine another tariff, on the date on which the determination or amendment will come into operation.

After the Council has considered the objections it will again give notice of the determination, amendment or date as determined above and will also publish it as determined by the Council.



TRAVELLING AND SUBSISTENCE POLICY

2019/20

CONTENTS

Ref	Descriptions	Pages
1	Introduction	3
2	Purpose	3
3	Superseded Regulation	3
4	Legal Framework	3
5	Definitions	3
6	Travelling and Subsistence Allowance	4
7	Accommodation Cost	4
8	Travelling outside the jurisdiction of Matjhabeng Municipality:	5
8.1	Car Rental and Travel Costs	5
8.2	Employees receiving car allowance	5
8.3	International Travelling	6
8.4	Travel costs for persons invited for interviews	6
8.5	Travel costs outside Matjhabeng Boundaries	6
9	Daily allowance in respect of meals and incidental costs	6
10	Authorization	7

1. INTRODUCTION

Travelling and Subsistence Allowance (herein under referred as S&T Policy) Policy ensures that the Matjhabeng Municipality performs its operations in an effective manner to ensure maximum efficiency and to prevent fraud, corruption, favouritism and unfair practices in implementing this policy.

2. PURPOSE

The purpose of this policy is to provide guidelines for employees of Matjhabeng Local Municipality to adhere to when travelling for business of the Council. Additionally, municipal employees must comply with any specific additional restricting mandates they have been given concerning business travel. This policy attempts to avoid any potential misuse of Council funds.

3. SUPERSEDED REGULATION

This policy replaces all travelling and subsistence policies previously published and issued by Matjhabeng Municipality as well as the inherited travelling and subsistence policies from former TLC's.

4. LEGAL FRAMEWORK

Matjhabeng Municipality's Travelling and Subsistence Policy is underpinned by the following statutes and statutory provisions:

- Municipal Finance Management Act No 56 of 2003.
- Income Tax Act No 58 of 1962 as amended.

5. DEFINITIONS

"Approved budget" means an annual budget approved by a municipal council.

“Councillor” means the member of a municipal council.

“Fruitless and wasteful expenditure” means expenditure that was made in vain, and would have been avoided had reasonable care been exercised.

“Mayor” in relation to a municipality with the Executive Mayor, means the councillor elected as the Executive Mayor of the municipality in terms of section 55 of the Municipal Structures Act.

“Municipal Manager” means a person appointed in terms of section 82 (1)(a) or (b) of the Municipal Structures Act.

6. TRAVELLING AND SUBSISTENCE ALLOWANCE

A travelling and subsistence allowance will be paid by Matjhabeng Local Municipality to employees to cover the below expenses:

- Accommodation;
- Car rental;
- Reimbursement when own car used;
- Tollgate fees;
- Airplane tickets;
- Daily allowance in respect of meals and incidental costs.

7. ACCOMMODATION COST

All employees who travel for business of the Council to another city or town, where the business unavoidably entails one or more nights to be spent away from home, may stay in a Hotel, Guesthouse, Lodge or Bed & Breakfast, with approval of his/her Head of Department.

Employees may not be accompanied by friends or family members at Council cost. If an employee decides to be accompanied by a friend or family member, then an employee must pay all the expenses incurred by the friend or family member.

The subsistence which shall be paid by the Council is **subject** to a maximum of one thousand five hundred and twenty rand (R1 520.00) per night.

Subsistence of R1 520.00 (max) is broken down as follows (subject to tariff increases, linked to inflation):

❖ Accommodation (bed and breakfast plus parking fees if any)	± R1 300.00 per night
❖ Dinner include soft drinks only (maximum)	R 220.00 per day

If an employee exceeds the maximum amount of subsistence cost as per this policy, any extra expenses incurred will be paid by the employee.

Services or expenses which the Municipality will not be liable for, include amongst others:

- Telephone Bills
- Room Service (**optional**: to be within the dinner cost as in paragraph 7 above)
- Alcohol Beverages
- Newspaper
- Unnecessary overnight stay
- Entertainment (Cinema, Theatre, Night Clubs, etc)
- Paid TV Channels.

No employees shall be allowed to stay in a friend or relative's place whilst they are on the business trip or during business travel, if accommodation is paid by the municipality.

An employee must report any cancellation of bookings made in time, should he/she fails to do so, he/she will be expected to pay any expenses incurred in this regard.

8. TRAVELLING OUTSIDE THE JURISDICTION OF MATJHABENG MUNICIPALITY

8.1 Car Rental and Travel Cost

Where a Council vehicle is not available for official business, motor vehicles may be rented only for employees who do not receive any car allowance from the municipality.

Employees must adhere to the following conditions:

- Employees hiring a vehicle must hold a valid driver's license and familiarize themselves with the conditions of hire;
- Traffic fines and/or fines charged for late return of a rental car shall be paid by the employee and if necessary be deducted from the employee's salary at the end of the month, following the receipt of an invoice; and
- If an employee is involved in an accident while using a rented car and it is found that he/she is at fault, he/she may be liable for the cost.

The Municipality may hire a car for employees undertaking a business trip under the following categories:

Categories
A
B
D
N

When multiple employees are to travel to the same destination, only one car may be approved for every four people attending a meeting, seminar, etc. If more than six officials are going, a minibus shall be rented to accommodate the entire group. Car rentals must be approved as part of the travel package by Heads of Departments, before the trip is embarked on.

8.2 Employees receiving car allowance

An employee who receives a car allowance or owns a subsidized car must use their own subsidized vehicle for official business and not rent nor use Council's vehicle, except where the primary travel to the destination is via air. Approval for an employee who receives a car allowance to rent a car should be obtained from the Municipal Manager.

If an employee uses his/her subsidized car for an approved municipal business trip, he/she will be reimbursed at the rate per kilometer as prescribed by SARS.

8.3 International Travelling

All Council employees shall travel in Economy Class except for the Executive Mayor and Speaker who may travel in Business Class.

The Municipal Manager can authorize an official to travel in Business Class if the flight time would be for eight (8) or more hours.

The Municipal Manager can authorize any official accompanying the Executive Mayor or Speaker to travel in Business Class.

The cost of accommodation for International Travel may not exceed **US\$350** per day (subject to the prevailing exchange rates). The cost of meals and incidental costs will be **US\$215** per day for business trips outside the Republic.

8.4 Travel costs for persons invited for interviews

No subsistence costs will be paid to any candidate invited for an interview, but travelling costs at R0.80 per kilometer may be paid if the candidate has to travel more than 50 km to attend the interview, plus accommodation costs for one night only for candidates who travel more than 500 km (single trip).

8.5 Travel costs outside Matjhabeng boundaries

For employees travelling outside Matjhabeng for pre-approved or authorized municipal business, the kilometers travelled shall be charged according the rate per kilometer as prescribed by SARS.

9. DAILY ALLOWANCE IN RESPECT OF MEALS AND INCIDENTAL COSTS

Description	Amount to be paid to an employee
Daily incidental cost (completed 24 hr cycle)	Amount per day as prescribed by SARS
Cost of meals	Amount per day as prescribed by SARS

NB! Advance form designed by Finance department will be filled in before cost of meal is provided. Reconciliation form designed by Finance will be submitted together with the receipts to Finance department.

Application, authorization and utilization of daily incidental cost of meals must be done with care, taking into account the following areas that might attract audit queries:

- Daily incidental cost is to be paid to an employee where the accommodation to which this allowance or advance relates, is in the Republic.
- Cost of meals must be paid where it has been indicated that the employee will not be provided with meals during lunch or break. (Workshops/training programs to be read carefully to avoid fruitless and wasteful expenditure that might lead to fraudulent activities.)
- After attending external training/workshop events, it will be expected from delegates to submit a concise feedback report to Matjhabeng Local Municipality's Training Branch and the same report to be served before the relevant Portfolio Committee.

10. AUTHORIZATION

Matjhabeng Municipality has the following personnel to authorize any travelling and subsistence allowance:

- Municipal Manager may authorize any travel to be undertaken by lower level representatives, such as Heads of Departments. Heads of Departments may authorize any travel, inside the Republic, undertaken by employees in his department. Payment to be made for persons invited for interviews for respective departments must be in the department's approved budget.
- Travelling and Subsistence may be authorized after the trip as already been undertaken provided that the employee was delegated by his Head of Department and all relevant documents are attached.
- Council may authorize any travelling to be undertaken by the Mayor, Speaker, Councillors or the Municipal Manager provided the expenses to be incurred are on the approved budget of the Municipality.

NB! An invitation to attend a workshop, meeting or related events is not an automatic authorization to attend such workshop or event. The required authorization must still be obtained from the Municipal Manager or Executive Mayor or Executive Committee or Head of Department.

~~~~~ oOo ~~~~~

## MATJHABNEG LOCAL MUNICIPALITY





# UNALLOCATED RECIEPTS POLICY

# Resolving of unallocated receipts

## 1. DEFINITIONS

*Unallocated receipts* – payment or deposit from a consumer or third party for services rendered by the Municipality in the Municipality's bank account but it can't be identified by way of a reference number.

*Deposit* – payment made by a person, individual or business for services rendered by the Municipality.

## 2. INTRODUCTION

Consumers, individuals or businesses have the option to pay for municipal services or other services rendered by the Municipality by way of an electronic transfer or deposit at the bank.

Throughout the years the Municipality received various deposits that reflect on the bank statements with either the incorrect reference number or the reference number is not sufficient to identify the person who made the deposit. These deposits were receipted against a debtors account only when proof of the deposit can be furnished to the accounts department by the person that made the deposit.

A number of deposits remained un-identified and the Municipality instituted the following procedures to receipt the deposits to the correct accounts:

- Contacted the bankers of the Municipality to trace some of the electronic transfers
- Visited consumers to identify the owner of the payment according to a name or some reference possibly linking us to a consumer
- Searched accounts with similar names on the debtors database

After all these processes were followed and there are still un-allocated receipts that could not be allocated these deposits are then processed to a suspense account. Deposits that are not claimed within a period of three years after the initial deposit date will be regarded as other income in accordance with the Prescription Act.

## 3. OBJECTIVES

The objective is to identify the depositor of unidentified deposits on the bank statement.

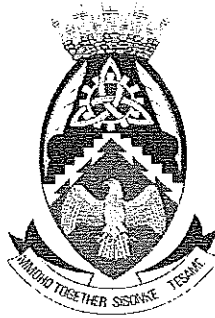
## 4. PROCEDURES

The procedures followed to identify unallocated receipts are as follows:

- Obtain a list of unallocated receipts from the monthly bank reconciliation
- Link the list of unallocated receipts to the bank statements and match the date and the amount
- If there are more than one amount on the same date then the amounts with clear reference numbers are eliminated
- The remaining unallocated receipts are then followed up as discussed in paragraph 2 above

## **5. CONCLUSION**

We conclude that the processes followed were in accordance with best practices.



## **ANNEXURE**

**ITEM : A19/2014**

**MEETING : 3<sup>rd</sup> ORDINARY COUNCIL MEETING**

**ANNEXURE 8 INVESTMENT POLICY**

**DATE : THURSDAY, 29 MAY 2014**

**TIME : 15:30**

**VENUE : COUNCIL CHAMBER, CIVIC CENTRE, WELKOM**

# *MATJHABENG LOCAL MUNICIPALITY*



## **LIABILITY, INVESTMENT AND CASH MANAGEMENT POLICY**

### 5.6 Contingent Liabilities

Council may from time to time, provide financial guarantees within its legal capacity. Management ensures that the business plan of the guaranteed party furthers the strategic objectives of Council and that financial statements are received on a regular basis. Should the guarantee be called up, Council will take immediate steps to recover the money. Before granting the guarantee Council can seek to secure collateral guarantees from the organization members.

These actions will be guided by S50 of the MFMA.

### 5.7 Foreign Currency Borrowing

Council may not raise loans in a foreign currency.

## 6. INVESTMENT POLICY

### 6.1 General Policy

Generally Council will invest surplus funds just with deposit taking institutions registered in terms of the Bank's Act, 1990 (Act 94 of 1990), for terms not exceeding one year in anticipation of cashflow expectations.

From time to time, with prior Council approval, investments can exceed 1 [one] year and be made at other institutions/instruments as approved in the treasury regulations from time to time.

### 6.2 Diversification

Council will only make investments with approved institutions which has an A rating as per Appendix B.

Not more than 20% of available funds will be placed with a single institution except at the discretion of the CFO because of improved returns and excluding any investments made per Council resolution.

### 6.3 Quotations

At least three [3] written quotations must be obtained.

Acceptance of the above must be governed in order of priority by:

- 6.3.1 Preservation and safety of principal;
- 6.3.2 Liquidity; and
- 6.3.3 Yield
- 6.3.4 Where appropriate, match dates of repayment of maturing loans.

## REGULATIONS

### GNR.308 of 1 April 2005: Municipal Investment Regulations

#### NATIONAL TREASURY

The Minister of Finance, acting with the concurrence of the Minister for Provincial and Local Government, has in terms of section 168, read with section 13 and 99 (2) (g), of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made the regulations as set out in the Schedule.

## SCHEDULE

### ARRANGEMENT OF REGULATIONS

1. Definitions
2. Application
3. Adoption of investment policies
4. Core elements of investment policies
5. Standard of care to be exercised when making investments
6. Permitted investments
7. Investments denominated in foreign currencies prohibited
8. Payment of commission
9. Reporting requirements
10. Credit requirements
11. Portfolio diversification
12. Miscellaneous provisions
13. Existing investments
14. Commencement

**1. Definitions.**—In these regulations, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Act, has the same meaning, and—

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

**"investee"** means an institution with which an investment is placed, or its agent;

**"investment manager"** means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act, 1989 (Act No. 55 of 1989

#### Repealed Act

Act 55 of 1989 has been repealed by s 117 of Act 36 of 2004

), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985

#### Repealed Act

Act 1 of 1985 has been repealed by s 117 of Act 36 of 2004

), contracted by a municipality or municipal entity to—

- (a) advise it on investments;
- (b) manage investments on its behalf; or

the objectives of the policy, with due regard to the provisions of these regulations relating to—

- (aa) the preservation and safety of investments as the primary aim;
- (bb) the need for investment diversification; and
- (cc) the liquidity needs of the municipality or municipal entity;

(iii) a minimum acceptable credit rating for investments, including—

(aa) a list of approved investment types that may be made, subject to regulation 6;

(bb) a list of approved institutions where or through which investments may be made, subject to regulation 10;

(iv) procedures for the invitation and selection of competitive bids or offers in accordance with Part 1 of Chapter 11 of the Act;

(v) measures for ensuring implementation of the policy and internal control over investments made;

(vi) procedures for reporting on and monitoring of all investments made, subject to regulation 9;

(vii) procedures for benchmarking and performance evaluation;

(viii) the assignment of roles and functions, including any delegation of decision-making powers;

(ix) if investment managers are to be used, conditions for their use, including their liability in the event of non-compliance with the policy or these regulations; and

(x) procedures for the annual review of the policy.

**5. Standard of care to be exercised when making investments.**—Investments by a municipality or municipal entity, or by an investment manager on behalf of a municipality or entity—

- (a) must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- (b) may not be made for speculation but must be a genuine investment; and
- (c) must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity



of directors of the municipal entity a report describing in accordance with generally recognised accounting practice the investment portfolio of that municipality or municipal entity as at the end of the month.

(2) The report referred to in subregulation (1) must set out at least—

- (a) the market value of each investment as at the beginning of the reporting period;
- (b) any changes to the investment portfolio during the reporting period;
- (c) the market value of each investment as at the end of the reporting period; and
- (d) fully accrued interest and yield for the reporting period.

**10. Credit requirements.**—(1) A municipality or municipal entity must take all reasonable and prudent steps consistent with its investment policy and according to the standard of care set out in regulation 5, to ensure that it places its investments with credit-worthy institutions.

(2) A municipality or municipal entity must—

- (a) regularly monitor its investment portfolio; and
- (b) when appropriate liquidate an investment that no longer has the minimum acceptable credit rating as specified in its investment policy.

**11. Portfolio diversification.**—A municipality or municipal entity must take all reasonable and prudent steps, consistent with its investment policy and according to the standard of care prescribed in regulation 5, to diversify its investment portfolio across institutions, types of investment and investment maturities.

**12. Miscellaneous provisions.**—(1) The responsibility and risk arising from any investment transaction vests in the relevant municipality or municipal entity.

(2) All investments made by a municipality or municipal entity must be in the name of that municipality or municipal entity.

(3) A municipality or municipal entity may not borrow money for the purpose of investment.

**13. Existing investments.**—Nothing in these regulations compels a municipality or municipal entity to liquidate an investment which existed when these regulations took effect merely because such investment does not comply with a provision of these regulations.

**14. Commencement.**—These regulations take effect on 1 April 2005.