UMNGENI MUNICIPALITY

BUDGET POLICY

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Foreword

This policy is there to assist Mayors, Councillors, Accounting Officers and Senior Managers in dealing with the changes brought about by the Municipal Finance Management Act (MFMA), 56 of 2003. One of the most important and immediate changes is the requirement for municipalities to be innovative and enhance the content of their budget document in accordance with this guidance.

The MFMA aims to modernise budget, accounting and financial management practices by placing local government finances on a sustainable footing in order to maximise the capacity of Municipalities to deliver services to communities. It also aims to put in place a sound financial governance framework by clarifying and separating the roles and responsibilities of the council, mayor and officials.

The Guide is structured into **34** sections namely:

Section 15: Appropriation of funds for expenditure.

Section 16: Annual budgets.

Section 17: Contents of annual budgets and supporting documents.

Section 18: Funding of expenditures.

Section 19: Capital projects.

Section 20: Matters to be prescribed.

Section 21: Budget preparation process.

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Section 32: Unauthorised, irregular or fruitless and wasteful expenditure.

Section 33: Contracts having future budgetary implications.

Section 42: Price increases of bulk resources.

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Section 70: Impending shortfalls, overspending and overdrafts.

Section 71: Monthly budget statements.

Section 54: Budgetary control and early identification of financial problems.

Section 55: Report to provincial executive if conditions for provincial intervention exist.

Section 72: Mid – year budget and performance assessment.

Section 73: Reports on failure to adopt or implement budget-related and other policies.

Section 75: Information to be placed on websites of municipalities

Section 80: Establishment (of municipal budget and treasury office)

Section 81: Role of Chief Financial Officer.

Section 83: Competency levels of professional financial officials.

1. Definitions

In this Policy, unless the context indicates otherwise –

"accounting officer" –

(a) in relation to a municipality, means the municipal official referred to in section 60 of the Local Government Municipal Finance Management Act, 2003, Act No 56 of 2003, or

(b) in relation to a municipal entity, means the official of the entity referred to in section 93 of the Local Government Municipal Finance Management Act, 2003, Act No 56 of 2003, and includes a person acting as the accounting officer;

"Act" as referred to in this policy means the Local Government Municipal Finance Management Act, 2003, Act No 56 of 2003;

"allocation" in relation to a municipality, means –

(a) a municipality's share of the local government's equitable share referred to in section 214(1)(a) of the Constitution;

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

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

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

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

"annual report" means an annual budget-

(a) approved by a municipal council; or

(b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;

"Auditor-General" means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person –

(a) acting as Auditor- General;

(b) acting in terms of a delegation by the Auditor-General; or

(c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;

"*board of directors*" in relation of a municipal entity, has the meaning assigned to it in section 1 of the Municipal Systems Act;

"budget forum" has the meaning assigned in section 1 of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997);

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

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

"councillor" means a members of a Municipal Council;

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

"debt" means-

(a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or

(b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another;

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

"district municipality" means a municipality that has municipal executive and legislative authority in an area that included more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality;

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

"financial year" means a year ending on 30 June;

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

"irregular expenditure" in relation to a municipality or municipal entity, means-

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

(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 the 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, (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 bylaws giving effect to such policy, and which has not been

condoned in terms of such policy or bylaw, but excludes expenditure by a municipality which falls within the definition of "unauthorized expenditure";

"IDP" means integrated development plan;

"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;

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

"*local authority*" means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

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

***"mayor"* in relation to-**

(a) a municipality with an executive mayor, means the councilor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act; or
(b) a municipality with an executive committee, means the councillor elected as the mayor of the municipality in terms of section 48 of that Act;

"*MEC for finance*" means the member of the Executive Council of a Province who is responsible for local government in that province;

"*Minister*" means the Cabinet member responsible for finance;

"*month*" means one of the 12 months of a calendar year;

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

"*municipal entity*" has the meaning assigned to it in section 1 of the Municipal Systems Act;

"municipally" –

(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);

"*municipal manager*" means a person appointed in terms of **section 82(1) (a) or (b)**
(c) of the Municipal Structures Act;

"*municipal service*" 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);

"*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 Management Act;

"*official*" in relation to a municipality or municipal entity, 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) in relation to the budget of a municipality means causing the operation 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, means causing expenditure under that section to exceed the limits allowed in subsection (5) of that section;

"*past financial year*" means the financial year preceding the current year;
"*political office-bearer*" in relation to a municipality means –
(a) the speaker, executive mayor, deputy executive mayor, mayor deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
(b) a councillor referred to in **section 57(1)** of this Act;

"political structure" in relation to a municipality, means-

(a) the council of a municipality; or

(b) any committee or other collective structure of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act;

"prescribe" means prescribe by regulation in terms of **section 168**

"provincial treasury" means a treasury established in terms of **section 17** of the Public Finance Management Act;

"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;**

"section" as referred to in this policy means the specific section referred to in the Local Government Municipal Finance Management Act, 2003, Act No 56 of 2003;

"senior manager"

(a) in relation to a municipality, means a manager referred to in **section 56** of the Municipal Systems Act; or

(b) in relation to a municipal entity, means a manager directly accountable to the chief executive officer of the entity;

"service delivery agreement" has the meaning assigned to it in **section 1** of the Municipal Systems Act;

"shared control" in relation to a municipal entity, means the rights and powers a municipality has over a municipal entity which is –

(a) a private company in which effective control as defined in section 1 of the Municipal Systems Act is vested in that municipality and one or more other municipalities collectively; or

(b) a multi- jurisdictional service utility in which that municipality participates;

"unauthorized expenditure" in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with **section 15 or 11(3)**, 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 this Act;

"*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.

(2) In this Act, a word or expression derived from a word or expression defined in subsection (1) has a corresponding meaning unless the context indicates that another meaning is intended.

2. INTRODUCTION

Background

It is impossible to manage any organization without quality information to develop sound budget based on credible and accurate data that will meaningfully impact on service delivery. Traditionally, the executive and administration at municipalities have placed too little importance on receiving and acting upon accurate and up to date with the result that accountability has been undermined and available resources have been used to less than their maximum potential.

The MFMA requires the need for the executive and administration to monitor the activities of the municipalities however clearly identifying the separated roles for the executive and the administration.

3. OBJECTIVE

The objective of the budgeting policy is to enforce the new municipal budgets format and monitoring appendix B schedules which will inherently comply with:

- The legal requirements for approved and adjustment budgets
- Strengthen the oversight by council and improve performance
- Provide readability of linkages within the budget documentation
- Satisfaction of stakeholders information needs
- Promote comparability between municipalities

A municipality may only incur expenditure in accordance with its approved budget. The budget also builds input from other service providers. The Municipality's annual budget also serves as an important tool for planning and control. There must be a link between the conventional budget process and the budget section of the IDP.

4. LEGAL REQUIREMENT

In brief, the budget and monitoring process identified in section 21 and 71 of the MFMA and also **section 18 and 19** of the Division of Revenue Act (DORA) requires that budget and budget performance reports be provided to the Provincial Treasury in the National Treasury Circular 28 format and appendix B formats. Failure by municipalities to provide the information required by section 16 and section 21 is not only illegal and grounds for sanction under the MFMA to take effect, but also reflects poor leadership and management.

Regardless of these legislative requirements the development of credible budgets and monitoring thereof is an essential element in managing the performance of any spending institution.

Section 15 Appropriation of funds for expenditure

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 budget vote.

Section 16 Annual budgets

The Council of the municipality must approve the annual budget before the start of the financial year to which it relates. The Mayor must table the annual budget at least ninety days before the start of such financial year. The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

Section 17 Contents of annual budgets and supporting documents

The budget must be in the prescribed format, and must be divided into a capital and an operating budget. The budget must reflect the realistically expected revenues by major source for the budget year concerned.

The expenses reflected in the budget must be divided into votes. The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (where applicable) amending the IDP and the budget related policies;
- Measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- The projected cash flows for the financial year by revenue sources and expenditure votes;
- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as **NGOs, welfare institutions** and so on;
- Particulars of the municipality's investments; and
- Information in regard to municipal entities under the shared or sole control of the parent municipality.

Section 18 Funding of expenditures

The budget may only be financed from:

- Realistically expected revenues, based on current and previous collection levels.
- Cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- Borrowed funds in respect of the capital budget only.

Section 19 Capital projects

A municipality may spend money on a capital project only if the money for the project (including the cost of any required feasibility studies) has been appropriated in the capital budget. The total cost of the project must also be approved by the Council. 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. Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

Section 20 Matters to be prescribed

The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

Section 21 Budget preparation process

The Mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipalities IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.

- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
- Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget.

Section 22 Publication of annual budgets

Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The Municipal Manager must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

Section 23 Consultations on tabled budgets

After the budget has been tabled, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget. After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

Section 24 Approval of annual budgets

The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates. The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in **Section 17** must simultaneously be adopted.

Section 25 Failure to approve budget before start of budget year

This Section sets out the process which must be followed if the budget is not approved in the normal course of events. Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.

Section 26 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget.

Section 27 Non-compliance with provisions of this chapter

This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

Section 28 Municipal adjustments budgets

A municipality may revise its approved annual budget by means of an adjustments budget.
However, a municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent. A municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

A municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the Mayor. A municipality may authorise the utilisation of projected savings on any vote towards spending under another vote. Municipalities may 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.

Only the Mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- An explanation of how the adjustments affect the approved annual budget;
- Appropriate motivations for material adjustments; and
- An explanation of the impact of any increased spending on the current and future annual budgets.

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

Section 29 Unforeseen and unavoidable expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- The Mayor may authorise such expenses in an emergency or other exceptional circumstances;
- The municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;

- These expenses must be reported by the Mayor at the next Council meeting;
- The expenses must be appropriated in an adjustments budget; and
- The adjustments budget must be passed within sixty days after the expenses were incurred.

Section 30 Unspent funds

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 the expenses referred to above in **Section 16**.

Section 31 Shifting of funds between multi-year appropriations

If the funds for a capital project have been appropriated for more than one financial year **(see Section 16)** these expenses may exceed the appropriation for any one financial year, provided:

- The increase is not more than **20%** of that financial year's allocation;
- The increase is funded in the next financial year's appropriations;
- The Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that sufficient funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- The Mayor gives prior written approval for such increased appropriation; and
- All the above documentation is provided to the Auditor-General.

Section 32 Unauthorised, irregular or fruitless and wasteful expenditure

Unauthorised expenses may be authorised in an adjustments budget.

Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the municipality may enter into such contract only if:

- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.

- The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
- The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the municipality will secure a significant capital investment or derives a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

Section 42 Price increases of bulk resources for provision of municipal services

Price increases of bulk resources for provision of municipal services National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.

- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

Section 43 Applicability of tax and tariff capping on municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality

Section 53 Budget processes and related matters

The Mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.
- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.

- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan.

The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

Section 68 Budget preparation

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions.

Section 69 Budget implementation

The Municipal Manager is responsible for implementing 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.

The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

Section 70 Impending shortfalls, overspending and overdrafts

The Municipal Manager 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.

Section 71 Monthly budget statements

The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial 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:

- Actual revenues per source, compared with budgeted revenues;
- Actual expenses per vote, compared with budgeted expenses;
- Actual capital expenditure per vote, compared with budgeted expenses;
- Actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- The amount of allocations received, compared with the budgeted amount;
- Actual expenses against allocations, but excluding expenses in respect of the equitable share;
- 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;
- The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- 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.

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

Section 54 Budgetary control and early identification of financial problems

On receipt of the report from the Municipal Manager, the Mayor must:

- Consider the report;
- Check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
- Issue appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- Identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and
- Submit to the 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.

If the municipality faces any serious financial problems, the Mayor must:

- Promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- Alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The Mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

Section 55 Report to provincial executive if conditions for provincial intervention exist

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the Mayor must immediately report this matter to the **MEC for Local Government** and **may recommend a provincial intervention.**

Section 72 Mid-year budget and performance assessment

The Municipal Manager 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, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury. The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of **Section 54(1) (f)** the Mayor must promptly submit this assessment report to the Council of the municipality.

Section 73 Reports on failure to adopt or implement budget-related and other Policies

The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

Section 75 Information to be placed on websites of municipalities

The Municipal Manager must place on the municipality's official website (inter alia) the following:

- The annual and adjustments budgets and all budget-related documents;
- All budget-related policies;
- The annual report;
- All performance agreements;

- All service delivery agreements;
- All long-term borrowing contracts;
- All quarterly reports submitted to the Council on the implementation of the
- Budget and the financial state of affairs of the municipality.

Section 80 Establishment (of municipal budget and treasury office)

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials and contracted staff.

Section 81 Role of chief financial officer

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- Assist the Municipal Manager in preparing and implementing the budget;
- Perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- Account to the Municipal Manager for the performance of all the foregoing responsibilities.

Section 83 Competency levels of professional financial officials

The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.

5. BUDGETING PRINCIPLES TO BE FOLLOWED

Except in so far as capital projects represent a contractual commitment to the municipality extending over more than one financial year, the annual capital budget shall be prepared from a zero base.

The capital budget component of the annual or adjustments budget shall only be approved by the council if it has been properly balanced, that is, if the sources of finance which are realistically envisaged to fund the budget equal the proposed capital expenses.

Before approving the capital budget component of the annual or adjustments budget, the council shall consider the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets, and any other ordinary operational expenses associated with any item on such capital budget. In addition, the council shall consider the likely impact of such operation expenses – net of any revenues expected to be generated by such item – on future property rates and service tariffs.

The council shall establish an asset financing reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;

- Interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;

- Further amounts appropriated as contributions in each annual or adjustments budget; and
- Net gains on the sale of fixed assets in terms of the fixed asset management and accounting policy.

Each annual and adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

Any unappropriated surplus from previous financial years, even if fully cash- backed, shall not be used to balance any annual or adjustments budget, but shall be appropriated, as far as it is not required to finance the payment of operating creditors or for other operational purposes, to the municipality's asset financing reserve.

An impending operating deficit shall be made good in an adjustments budget, but if an operating deficit arises at the end of a financial year, notwithstanding the precautionary measures adopted by the council, such deficit shall immediately be made good in the annual or adjustments budget for the ensuing financial year, and shall not be offset against any unappropriated surplus carried forward from preceding financial years.

The municipality shall establish and maintain a provision for accrued leave entitlements equal to 100% of the accrued leave entitlement of officials as at 30 June of each financial year, and shall budget appropriately for contributions to such provision in each annual and adjustments budget. The municipality shall establish and maintain a provision for bad debts in accordance with its rates and tariffs policies, and shall budget appropriately for contributions to such provision in each annual and adjustments budget. All expenses, including depreciation expenses, shall be cash-funded. The cash received in respect of depreciation expenses on fixed assets financed from external borrowings shall be transferred to the investments created to redeem such borrowings.

Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is the council's policy to raise external loans only for the financing of fixed assets in specified council services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

Depreciation and finance charges together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.

The allocation of interest earned on the municipality's investments shall be budgeted for in terms of the banking and investment policy.

The municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its fixed asset management and accounting policy. At least 7.5% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

In the preparation of the draft operating budget component of the annual budget, the allowable budgetary increment shall relate to the total amount provided for each budget vote, and the head of the department, service or function concerned shall have the right to allocate the total budgeted amount to the line-items within such vote, except in so far as the line-item provisions relate to matters determined by the chief financial officer in terms of the municipality's approved policies and contractual and statutory commitments (for example,

depreciation charges, finance charges, insurance costs contribution to the Contribution to Occupational Injuries on Duty COID).

Notwithstanding the preceding principle, the budget for salaries, allowances and salaries-related benefits shall be separately prepared, and shall not exceed 45% and Council works towards a benchmark of 35% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councillors shall be excluded from this limit.

The head of the department, service or function to which each budget vote relates shall justify the allocation of the aggregate budget for such vote to the various line-items within the vote to the portfolio committee responsible for the department, service or function concerned. In motivating the allocations made to and within the vote, the head of department, service or function concerned shall provide the relevant portfolio committee with appropriate quarterly performance indicators and service delivery targets pertaining to the budget. Such indicators and targets shall be prepared with the approval of the municipal manager and the mayor.

In preparing its revenue budget, the municipality shall strive to maintain the aggregate revenues from property rates at not less than 25% of the aggregate revenues budgeted for.

When considering the draft annual budget, the council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts. Because households have no mechanism for passing on such increases to other parties, but must fully absorb the increases concerned, the council may ensure that the average additional impact of such increases is not more than the relevant increase in the consumer price index.

The actual revenue collected must be considered in the preparation of the Budget.

RESPONSIBILITIES OF THE CHIEF FINANCIAL OFFICER

Without derogating in any way from the legal responsibilities of the municipal manager as accounting officer, the chief financial officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking and investments policy), and shall be accountable to the municipal manager in regard to the performance of these functions.

The municipal manager shall ensure that all heads of departments provide the inputs required by the chief financial officer into these budget processes.

The chief financial officer shall draft the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the mayor, finance committee, executive committee and council.

Except where the chief financial officer, with the consent of the mayor and municipal manager, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:

- Depreciation charges
- Repairs and maintenance expenses
- Interest payable on external borrowings
- Other operating expenses.

In preparing the operating budget, the chief financial officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organizational structure of the municipality, and further in so doing shall comply – in so far as the organizational structure permits – also with the prescribed budget format of National Treasury. The chief financial officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, insurance and the contributions to the provisions for bad debts, accrued leave entitlements and obsolescence of stocks.
The chief financial officer shall further, with the approval of the mayor and the municipal manager, determine the recommended contribution to the asset financing reserve.
The chief financial officer shall also, again with the approval of the mayor and the municipal managers, and having regard to the municipality's current financial performance, determine the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.

The chief financial officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the chief financial officer with all explanations required for deviations from the budget. The chief financial officer shall submit these monthly reports to the mayor, finance committee and executive committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.
The chief financial officer shall provide technical and administrative support to the mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.

The chief financial officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.

The chief financial officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options. The chief financial officer shall determine the basis for allocating overhead expenses not directly chargeable to

votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.

The chief financial officer shall ensure that the cost of indigence relief is separately reflected in the appropriate votes .The chief financial officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

6. BUDGET PROCESS

a) The IDP and budget process must be one process. It is considered that a well run budget process that incorporates the IDP review will facilitate community input, encourage discussion, promote a better understanding of community needs, provide an opportunity for feedback and improve accountability and responsiveness to the needs of the local communities. It also positions the municipality to represent the needs of the community and to provide useful inputs to the relevant provincial and national department strategies and budgets for the provision of services such as schools, clinics, hospitals and police stations.

b) There are six steps to preparation of a budget. It is important to mention that a consultation on the budget occurs throughout the preparation cycle.

c) Both the MSA and MFMA require extensive consultation with the local community for important decisions like budgets, tariff setting, borrowing, IDPs, performance systems, annual reports etc. The process of consultation is set out in chapter 4 of the MSA as amended (sections 21A and 21B have been added). Section 21, 22, and 23 of the MFMA deal specifically with consultation on the budget.

d) Section 16 of the MFMA requires the budget resolutions; proposed revisions to the IDP; Budget related policies; and other required supporting documentation to be tabled before a full council meeting by 31 March (i.e. at least 90 days before the start of the budget year). This allows adequate time for consultation prior to approval and ensures that councilors are aware of the budget implications so they can consult with their constituents.

e) The MFMA also requires consultation with relevant government departments and municipalities affected by the budget. Consultation with provincial and national sector departments such as, Agriculture, Health, Housing, Education, Welfare, Water Affairs and Mineral and Energy Affairs will ensure improved co-operative governance between the spheres. It is recommended that the Chief Financial Officer in consultation with the Municipal Manager contact the Provincial Treasury to co-ordinate consultation meetings with relevant provincial departments. This engagement will ensure better co-ordination, alignment and resource allocation from provincial and national governments.

f) The Chief Financial Officer in consultation with the Municipal Manager must consult District Municipality when finalizing plans and budgets to ensure that allocations between them are aligned, priorities are addressed and implementation is executed during the year. Historically, delays in project approval, spending and implementation have occurred undermining service delivery due to a lack of this early consultation. The Chief Financial Officer must obtain projected allocations from District Municipality, for the next three budget years, not later than 120 (120 days prior to the start of the budget year). These allocations must be published with the draft municipal budget and will be audited by the office of the Auditor General to ensure consistency of amounts reflected in the transferring municipality and the recipient municipality.

7. SIX STEPS IN PREPARING A BUDGET

a) Planning

- **Section 21** of the MFMA is the primary provision relating to the municipal budget process. It requires the **Mayor** to co-ordinate the process for preparing the annual budget and for reviewing the Integrated Development Plan (IDP) and budget related policies. The Mayor must table in council by **31 August** (10 months before the start of the budget year) a **schedule of key deadlines** for various budget related activities as spelled out in Section 21. The Accounting Officer is tasked by Section 68 of the MFMA with assisting the Mayor in developing and implementing the budgetary process. The process should provide for both internal (within the municipality) and external (local municipality and other stakeholder) consultations.

  An example schedule of key deadlines that may be tabled before council by the Mayor is included in **Annexure A** of this policy.

  The Municipal Manager will make public a simplified version of the schedule to ensure the community is aware of the timelines, process and opportunities and to have input to the budget and IDP. A simplified version should be placed in local newspapers, newsletters and the municipal website alerting the public that more information on the budget process is available on the municipal website and offices, including how the public can make an input into the budget process.

- Review of previous budget process - budget evaluation checklist.

  While the MFMA does not explicitly require a review of the previous budget process, it is strongly recommended that this undertaken early August by the Mayor and Municipal Manager before determining the new schedule of key deadlines. Such a review can provide information about what worked well, what didn't, where to improve and issues to address for legislative compliance.

  The Chief Financial Officer is to develop a "Budget Evaluation Checklist (BEC)" template that will assist the Mayor and the Municipal Manager to evaluate the budget process to facilitate

eventual compliance with the MFMA, including previous budget preparation, tabling and implementation. An example of the BEC is included in **Annexure B** of this policy.

b) Strategising

- Review of IDP and budget related policies.

The amendment to the Municipal Systems Act (MSA) and chapter 4 of the MFMA require that a revised IDP be adopted at the time of adopting the budget. Therefore, the process leading to the adoption of the budget and IDP must be incorporated into one process, together with the process for approving taxes, user charges and budget related policies. This will ensure credible plans and budgets that are realistic and implementable. Furthermore, the IDP should be informing the entire budget, not just the capital budget, which has traditionally been the case.

Budget related policies include but not limited to policies on: tariff setting, credit control and collection, indigents; cost recovery, investment, borrowing, cash management, spending delegations or authorizations; other supplier versus quote or tender; and so on. Some of these are required to be passed as a by-law and may require significant planning before changes can be made.

- Internal consultations with the municipality

The budget process is consultative and the collective product of all within a municipality. If treated as an accounting exercise only, the Mayor and Accounting Officer will have failed in their obligations to the municipality and the community. The budget process must involve all the Heads of Departments and Senior Managers, and importantly, it must be guided by the strategic priorities of the municipality.

The budget process should be preceded by a number of strategic and consultation processes within the municipality, involving the Mayor/ Executive Committee and Councilors. These processes are not legislated and are left to the discretion of the Mayor and the Municipal Manager.

The internal strategic consultation should commence around September/ October, with the Mayor convening a meeting of the Executive Committee and Heads of Departments and/ or Senior Managers. The purpose is to determine the priorities of the municipality for the coming budget, taking into account the financial and political pressures facing the municipality. It should also consider what revisions should be considered to its current IDP.

The above process ideally will culminate in a major council strategic workshop around the beginning of October involving the entire council (or if the council is too large, at least the chairperson of all council committees).

- External consultations with the community and other stakeholder

  There are two external consultation processes envisaged in the MFMA and MSA:

The first external consultation process is informal and open ended, which begins around October and includes the following;

a. Public meetings with residents and small businesses in local communities to identify and prioritise the greatest local needs (e.g. housing, water, electricity, recreation facilities, schools, clinics, streets, and street lighting, refuse removal, social services and related issues, crime and functioning of local police station, etc). To obtain the views of the community the should consider the use of Ward Committees to gain an understanding of the issues in each ward;
b. Meetings with key stakeholders (e.g. residents associates, NGOs, business organizations, ets) – to identify community and business needs and concerns, including the level of municipal tariffs and charges.
c. Consultations between the municipality and other municipalities, provincial and national departments and entities.

The first phase of informal or open ended consultations ends when the Mayor tables the budget and revisions to the IDP around the end of March. The second external consultation process is more formal and takes place after the tabling of the draft budget, when the council convenes hearings on the draft budget and revisions to the IDP. The municipality must invite the public and stakeholder organizations to submit comments and submissions in response to the draft budget and revise IDP.

c) Preparing

- The preparation of the budget is a lengthy process spanning many months. It can be said to start in August at the time the Mayor tables the schedule of key deadlines and conclude in June or early July when the Mayor approves the Service Delivery and Budget Implementation Plan (SDBIP) and annual performance agreements with Head of Departments and/ or Senior Managers.

- There are generally three different budget processes operating in parallel all the time – (i) reporting on the past year (e.g. annual reports and audited financial statements); (ii) current year implementation; (iii) preparations for the coming budget year.

- Budget preparation includes the following processes:

  i. Winning support for the priorities that will shape the way budget allocations will be determined;
  ii. Integration of strategic objectives with budget allocations;
  iii. Appropriate planning and improved project management;

iv. Assessing affordability of rates and service charges, and identifying poor households unable to afford such rates and charges;
v. Accurate in the estimation of revenue and expenditure projections;
vi. Consultation and review of national, provincial and local priorities;
vii. Assessment of previous year performance and corrective action to be incorporated in the next budget.

- Whilst the technical preparation of the Budget is undertaken by the Municipal Manager, Heads of Departments and/ or Senior Managers and Chief Financial Officer, it is important that Mayor meet with the Municipal Manager and the Chief Financial Officer on a monthly basis February and March. Such political oversight is necessary to guide officials and assist in making the hard trade – offs necessary to determine the budget.

d) Tabling

- The draft budget and revised IDP must be tabled in council not later than 1 April (90 days before the start of the budget year), together with the draft resolutions and budget related policies.

- The Accounting Officer must immediately make available to the public copies of the budget and all other related documents and send (hard and electronic) copies to the National and Provincial Treasuries and other relevant spheres of state.

- Once the budget is tabled the local community must be invited to make written submissions to the council on the budget and to make representation at the council hearings. Key stakeholders like national and provincial departments (e.g. treasuries, local government, environment and agriculture, health, social welfare, etc) should also be invited to submit written comments to the hearings. The council may also wish to host special sessions with community organizations, business organizations and public sector institutions prior to convening the hearing on the budget.

- The council is required to have hearings on the budget before it considers the budget for adoption. Such hearings can take the form of various committee hearings and should be convened soon after tabling the budget. The hearing may need to extend over a number of weeks, after which a full council meeting should be convened to consider and make recommendations arising out of hearings process. The council should consider all hearings and representations received during its hearing process. The Mayor must be given an opportunity to respond to recommendations (at that or subsequent council meeting), and where necessary, to make revisions and amend the tabled budget.

e) Approving

- After the Mayor has responded to the recommendations and made amendments to the draft budget, the full council must meet to consider the budget for approval not later than 31 May (30 days before the start of the budget year).

- Ideally the Council should consider approving the budget, and related policies, at the same meeting that the Mayor tables any revisions/ amendments.

- If the Council is unable to approve the budget, the Speaker/ Mayor must ensure that further Council meetings are convened every week thereafter to ensure that the budget is approved before the start of the budget year.

- Failure to approve the budget before the start of the budget year will have serious operational consequences for the municipality (as no payments can be made without an approved budget) and could result in a Section 139 constitutional intervention in terms of Sections 25 and 26 of the MFMA.

- 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 with reasons.

f) Finalising Plans to Implement the budget

- This step of the budget process involves the finalization of plans to implement the budget, through the approval of the Service Delivery and Budget Implementation Plan (SDBIP) and the performance agreements for the Municipal Manager and Heads of Departments for the coming financial year.

  The SDBIP provides the vital link between the mayor, council (Executive) and the administration, and facilitates the process for holding management accountable for its performance. The SDBIP is a management, implementation and monitoring tool that will assist the mayor, councilors, municipal manager, senior managers and community.

  A properly formulated SDBIP will ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. It enables the municipal manager to monitor the performance of senior managers, the mayor to monitor the performance of the municipal manager, and for the community to monitor the performance of the municipality.

  The SDBIP should therefore determine (and be consistent with) the performance agreements between the mayor and the municipal manager and the municipal manager and senior managers determined at the start of every financial year and approved by the mayor. It must also be consistent with outsourced service delivery agreements such a municipal entities, public - private partnerships, service contracts and the like.

- While the MFMA requires (a) above to happen within **28 days** after the approval of the budget, it is recommended that draft SDBIP and performance agreements be tabled with the budget and considered in conjunction with the budget approval, if possible.

- The recommended approach to prepare the SDBIP is to develop implementation plans for each vote in the budget. The vote implementation plans would show:

    i. Monthly projections of revenue by source and expenditure vote;

    ii. Quarterly projections of measurable performance indicators; and service delivery targets.

- The SDBIP approved with the budget or shortly after would be a summary of these plans.

- A delegations policy of spending authority on budget votes is critical for successful budget implementation and subsequent monitoring and evaluation. It is important that delegations required to give effect to **Section 79, 82 and 106 of the MFMA** are addressed.

- Once the budget is finalized, the process for implementation (or preparing to implement) commences.

1. VIOLATION OF THE POLICY

Any person who –

a) Contravenes or fails to comply with any provisions of these policy;

b) Fails to comply with any lawful instruction given in terms of these policy; or

c) Obstructs or hinders any authorized official in the execution of his or her duties under these policy –

shall be guilty of an offence and shall be liable for disciplinary hearing as per the disciplinary action and grievance procedure.

UMNGENI MUNICIPALITY

INVESTMENT AND CASH MANAGEMENT POLICY

DATE OF ADOPTION: 31 MARCH 2016

DATE OF IMPLEMENTATION: 1 JULY 2016

Introduction

As trustees of public funds, councillors and officials have an obligation to ensure that cash resources are managed as effectively, efficiently and economically as possible.

Council has a responsibility to invest public funds with great care and are accountable to the community in this regard.

Legislation must be adhered to at all times. Where this policy is contrary to legislation, legislation will override this policy. It is explicit responsibility of the Municipal Manager to bring such conflicts to the attention of the Council immediately he or she is aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

1. Definitions

Chief financial officer means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

Councillor means a member of a municipal council.

Current liabilities are –

- Creditors;
- Bank overdrafts and
- Short-term portion of long-term liabilities

Investments are funds not immediately required for the defraying of expenses and invested at approved financial institutions.

Municipal manager means a person appointed in terms of section 82 of the Municipal Structures Act, 1998 (Act 117 of 1998) as the head of the municipality's administration;

Municipal stock means the stock certificate issued by the municipality as a proof of a long-term fixed period loan of which the capital is repayable at the end of the period. Interest is payable at predetermined intervals at a fixed rate.

Negotiable certificate means a loan certificate that is tradeable on the capital market.

Net current assets is the difference between current assets and current liabilities where current assets are-

- Debtors;
- Cash;

- Stock; and
- The short-term portion of long-term debtors.

Public funds mean all monies received by the municipality to perform the functions allocated to them.

Security means a lien, pledge, mortgage, cession or other form of collateral intended to secure the interest of a creditor.

Short-term portion of long-term debtors refers to the capital installments of long-term debtors due and in arrears in the current financial year.

Short-term portion of long-term liabilities refers to the capital repayment of long-term loans due in the current financial year.

2. Objectives

The objectives of a cash and investment policy are:

- To manage the net current asset requirements of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens,
- To manage the financial affairs of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and
- To gain the highest possible return on investments without unnecessary risk, during periods when excess funds are not being used.

3. Scope of the policy

The policy deals with:

- Responsibility/accountability.
- Management of net current assets.
- Investment ethics.
- Investment principles.
- General investment practices.
- Call and fixed deposits.
- Other external deposits.
- Control over investments.

4. Responsibility/Accountability

4.1 The Municipal Manager is the Accounting Officer of the municipality. He/she may delegate certain duties/tasks to the Chief Financial Officer, who would be accountable to him/her. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

4.2 The Chief Financial Officer is responsible, in terms of his/her delegate authority, for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and

effective management of net current assets banking and cash management. Sound management includes the following:

- Collecting revenue when it is due and banking it promptly;
- Making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the creditor's normal terms for account payments;
- Avoiding pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
- Accepting discounts to effect early payment only when the payment has been included in the monthly cash flow estimates provided to the relevant treasury;
- Pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked promptly;
- Accurately forecasting the institution's cash flow requirements;
- Timing the inflow and outflow of cash;
- Recognising the time value of money, i.e. economically, efficiently, and effectively managing cash;
- Taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets; and
- Avoiding bank overdrafts.

4.3 The overall responsibility of investments lies on the Municipal Manager. However the day to day handling of investments may be delegated to the Head of Department responsible for finance.

5. Management of Net Current Assets

5.1 Debtor Collections:

5.1.1 The municipal council must set a target for debt collection based on the performance of the Municipal Manager during the last financial year. The target must be expressed as a percentage of potential income and/or the turn over rate of debtors.

5.1.2 All funds due to the council must be collected timeously and banked on a daily basis. Large sums of money received must be deposited into the bank account on the same day that payments are received.

5.1.3 All monies owing to the council must be correctly reflected in the debtors system.

5.1.4 Extension for payment of rate and service charges must only be given in exceptional circumstances.

5.1.5 Moneys collected by some other agency on behalf of the council shall be paid over to the council or deposited in the bank account of the council in a manner prescribed by the Municipal Manager (Daily deposits are preferable).

5.1.6 The receipt of all monies collected by the council shall be acknowledged forthwith by the issue of a numbered official receipt.

5.2 Receipt of Payments

5.2.1 Receipt of money over the counter:

- Every amount of payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by the issue of a numbered official receipt or cash ticket; and
- Every receipt form, which is cancelled, will be reattached, in the correct place, in the receipt book. Where computer generated receipts are used, the original receipt must be filed for audit purposes.

5.2.2 Receipt of Money by Post:

- When money (including postal orders and cheques) is received with the council's mail, the Registry Clerk shall record all payment remittances as and when received in the cheque register in the presence of a witness. Post-dated cheques received in the council's mail must also be recorded in the cheque register. The cheque register shall be regarded as the register of remittances received by post;
- The cheque register together with all remittances received must be sent to a designated official in the finance section;
- The designated official on receipt of the cheque register together with the remittances will code all remittances and submit it to the cashier for receipting;
- The cashier will receipt all remittances and issue official receipts to the designated official;
- The designated official will record all receipts in the cheque register and return same to registry. The Registry Clerk must ensure that all receipts are recorded in the cheque register;
- All documents relating to remittances received in the mail must be filed for audit purposes;
- A separate register for post dated cheques will be maintained by the Cashier and all postdated cheques must be stored safely in the registry strongroom; and
- The Cashier will ensure that all postdated cheques, which become due, are promptly receipted and recorded in the postdated cheque register.

5.3 Management of Inventory (Stock)

5.3.1 Cash management must be improved by seeing that adequate stock control is exerted over all goods kept in stock.

5.3.2 Minimum and maximum stock levels, reordering procedures, turnover rate of stock items must be reviewed quarterly to ensure that funds are not unnecessary tied up in stock.

5.3.3 A stock register, reflecting the under mentioned detail must be kept and updated daily;

- Item description;
- Stores code number;
- Transaction date;
- Goods received –
    - Goods delivery note number;

    - Number of items received; and
    - Value of items received.
  - Goods issued
    - Requisition number; and
    - Number of items issued.
  - Balance of items in stock.

5.3.4 Stock counts must be affected monthly and an annual report reflecting stock shortage and surpluses must be submitted to council on the 30 June of each financial year. All surpluses and shortages must be explained by the accountable head of departments.

5.4 Management of cash

5.4.1 The cash holding of the municipality must be kept at the minimum level required to finance the day to day operations of the municipality. For this purpose a daily, weekly, monthly and annual cashflow forecasts are required.

5.4.2 Sufficient provision must be made to the payment of:

- Salaries;
- Bulk purchases of water and electricity;
- General expenditure;
- Capital cost (Interest and redemption);
- Maintenance; and
- Payment to creditors involved in capital projects.

5.5 Payment of Creditors

5.5.1 Due to the high bank charges with regard to cheque payments, it is essential to limit the payment of creditors to one payment per creditor per month. Should the facility be available, payments should be done by electronic transfer - subject to strict control measures.

5.5.2 Proper consideration must be given to the conditions of credit terms of payment offered:

- If discounts are offered for early settlement they must be properly considered and utilised.

5.5.3 Credit statements must be reconciled monthly.

5.5.4 Payments must only occur on receipt of an official order, certified goods received note and official company invoice.

5.6 Management of bankoverdraft

5.6.1 A bankoverdraft may only be obtained in anticipation of a positive income stream or to finance capital projects in anticipation of an approved capital grant or long-term levy.

5.6.2 The bankoverdraft must be repaid at the end of the financial year.

5.6.3 The council can only approve a bankoverdraft on the submission of a cashflow statement indicating the anticipated income stream or a certificate stating the approved grant or long-term loan.

6. Investment Instruments

6.1 The Minister of Provincial and Local Government may with the concurrence of the Minister of Finance by notice in the Gazette determine instruments or investments other than those referred to below in which Municipality may invest:

- Deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- Securities issued by the National Government;
- A municipality's own stock or similar type of debt;
- Internal funds of a municipality which have been established in terms of a law to pool money available to the municipality and to employ such money for the granting of loans or advances to departments within a municipality, to finance capital expenditure;
- Bankers, acceptance certificates or negotiable certificates of deposits of banks;
- Long term securities offered by insurance companies in order to meet the redemption fund requirements of municipalities; and
- Any other instruments or investments in which a municipality was under a law permitted to invest before the commencement of the Local Government Transition Act, 1996: Provided that such instruments shall not extend beyond the date of maturity or redemption thereof.

6.2 Cash Flow Estimates

6.2.1 Before money can be invested, the Chief Financial Officer or his/her delegate must determine whether there will be surplus funds available during the term of the investment. He/she must fix the term of the investment.

6.2.2 In order to be able to make investments for any fixed term, it is essential that cash flow estimates be drawn up.

6.2.3 Provision must be made in the cash flow estimates for the operating and capital requirements of the municipalities.

6.2.4 The operating requirements must include provisions for:

- Monthly salary payments;
- Bulk purchases of electricity and water;
- Interest on long term loans;
- Maintenance of assets;
- General expenditure (payments to current creditors); and
- Expected daily and monthly incomes.

6.2.5 From time to time the council will have surplus funds available which are not needed immediately and which could be invested. Depending on circumstances some funds could be invested for a long term whilst others would only be short-term investments. Surplus funds in the current account may also be invested for short periods (days).

- Long term investments should be made with an institution of minimum BBB rating (where BBB refers to lower risk institutions);
- Short term investments should be made with an institution of minimum B rating (where B refers to higher risk institutions);

- Not more than 20% of available funds should be placed with a single institution; and
- The amount should not exceed 10% of the relevant institution's shareholder's funds (Capital and Reserves).

The most recent rating of the banking institutions be consulted prior to investments being made.

7. Investment Ethics

The following ethics must apply when dealing with financial institutions and other interested parties.

7.1 The Municipal Manager or his/her delegate will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual councilors, agents or any other institution.

7.2 Council may at its discretion employ the use of specialist advisors to provide advice on investments from time to time. Specialist advisors are not entitled to commission. Furthermore, specialist advisors may not directly invest funds on behalf of Council. All investments must be made by the Municipal Manager or the official to whom responsibility to made investments has been delegated.

7.3 Under no circumstances may he/she be forced or bribed into making an investment. No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended to do so, and can merely be seen as goodwill. A certificate in respect of the gift should be furnished to the council. The gift should not be in lieu of a commission.
The Chief Financial Officer or his/her delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the council. Excessive gifts and hospitality should however be avoided.

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

8. Investment Principles

8.1 Exposure to a single institution:
Money, especially large sums of money, must be invested with more than one institution, in order to limit risk exposure of the council. Not more than 20% of the available funds should be placed with a single institution.

8.2 Risk and Return
It can be accepted as a general rule that the larger the return, the greater the risk

8.3 Borrowing money for reinvestment

The council may not borrow money for reinvestment, as this would mean interest rates would have to be estimated in advance, which can be seen as speculation with public funds.

8.4 Registered Financial Institutions

If the Chief Financial Officer or his/her delegate invests with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act 94 of 1990 and that they are approved financial institutions - as approved by the Reserve Bank, from time to time.

8.5 Growth-related Investments

When making investments, the Chief Financial Officer or his/her delegate must guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

9. General Investment Practice

9.1 General

After determining whether there is cash available for investment and fixing the maximum term of investment, the Chief Financial Officer or his/her delegate must consider the way in which the investment is to be made. As rates can vary according to money market perceptions with regard to the terms of investment, quotations must be requested telephonically, within term limitations, and these must be set out on a schedule.

9.2 Commission Certificate

The Auditor-General requires the financial institution, where the investment is made, to issue a certificate for each investment made. This certificate must state that no commission has, nor will, be paid to any agent or third party, or to any person nominated by the agent or third party.

9.3 Reports

9.3.1 The council must be given a monthly report on all investments.

9.3.2 A municipality must within 30 days after an investment with currency of 2 months or longer has been made, publish in a local newspaper in circulation within its area of jurisdiction, full details of any investments so made.

9.4 Cash in the Bank

Where money is kept in current accounts, it would be possible to bargain for more beneficial rates with regards to deposits, for instance call deposits. Fixed term deposits can increase these rates. The most important factor is that the cash in the current account must be kept to an absolute minimum.

9.5 Creditworthiness

When investments are placed with smaller registered institutions, the Chief Financial Officer or his/her delegate has to see to it that the municipality is not exposed to too much risk. He/she has to ensure that the creditworthiness and performance of the institution are to his/her satisfaction,

before investing money in the institution. The Chief Financial Officer or his/her delegate is entitled to information from which the creditworthiness of financial institutions can be determined. This must be obtained and analysed annually.

10. Call and Fixed Deposits

10.1 Quotations should be obtained from a minimum of three financial institutions, bearing in mind the limits of the term of which it is intended to invest the funds. Should one of the institutions offer a better rate for a term, other than what the Municipality had in mind, the other institutions which were approached, should also be asked to fix a rate for that long a term.

10.2 It is acceptable to ask for quotations telephonically, as rates generally change on a regular basis and time is a determining factor when investments are made. The person responsible for requesting quotations from institutions must record the following:

10.2.1 Name of institution;
10.2.2 Name of person quoting rates;
10.2.3 Period of the investment;
10.2.4 Relevant terms; and
10.2.5 Other facts i.e. are interest payable monthly or on maturation date.

Once a quote has been accepted written confirmation of the details must be obtained from the financial institution.

10.3 Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested. The best offer must under normal circumstances be accepted, with thorough consideration of investment principles. No attempt must be made to make institutions compete with each other as far as their rates and terms are concerned.

If institutions have been asked for a quotation with regard to a specific package, the institution must be requested to give the best rate in their quotation. They must also be informed that, once the quotation has been given, no further bargaining or discussions will be entered into in that regard.

10.4 The above procedure must be followed for all investments.

10.5 The Chief Financial Officer or his/her delegate must make sure that the investment document received is a genuine document, issued by an approved institution, and the investment capital must only be paid over to the institution with which it is to be invested and not to an agent.

11. Other External Deposits

Other investment possibilities, which are subject to the applicable legislation and are available to the

council, include debentures and other securities of the state as well as other municipalities or statutory bodies in the Republic, instituted under and in terms of any law. With regard to such investments, the principles and practices set out above must apply.

12. Control over Investments

12.1 An investment register should be kept of all investments made. The following facts must be indicated:

12.1.1 Name of institution,
12.1.2 Capital invested,
12.1.3 Date invested,
12.1.4 Interest rate,
12.1.5 Maturation date,
12.1.6 Interest received,
12.1.7 Capital repaid; and
12.1.8 Balance invested.

The investment register and accounting records must be reconciled on a monthly basis.

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

12.3 Interest, correctly calculated, must be received timeously, together with any distributable capital. The Chief Financial Officer or his/her delegate must check that the interest is calculated correctly.

12.4 Investment documents and certificates must be safeguarded in a fire resistant safe, with dual custody. The following documents must be safeguarded:

12.4.1 Fixed deposit letter or investment certificate,
12.4.2 Receipt for capital invested,
12.4.3 Copy of electronic transfer or cheque requisition,
12.4.4 Excel schedule of comparative investment figures,
12.4.5 Commission certificate indicating no commission was paid on the investment; and
12.4.6 Interest rate quoted.

12.5 The Chief Financial Officer or his/her delegate is responsible for ensuring that the invested funds are secure and, should there be a measure of risk, that such risk be rated realistically.

UMNGENI MUNICIPALITY

CREDIT CONTROL & DEBT COLLECTION POLICY

DATE OF ADOPTION: 30 MARCH 2016

DATE OF IMPLEMENTATION: 1 JULY 2016

Objectives

The objectives of the policy are to:

- Provide a framework within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection;
- Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner[1];
- Set realistic targets for debt collection;
- Outline credit control and debt collection policy procedures and mechanisms; and
- Provide a framework to link the municipal budget to
  - Indigent support; and
  - Tariff policies.

[1] Section 96(a) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) provides that a municipality must collect all money that is due and payable to it subject to this Act and any other applicable legislation.

Principles

- The administrative integrity of the municipality must be maintained at all costs. The democratically elected officials (councillors) are responsible for policy-making, while it is the responsibility of the municipal manager to execute these policies.
- All customers must complete an official application form formally requesting the municipality to connect them to service supply lines.
- A copy of the application form, conditions of services and extracts of the relevant council's credit control and debt collection policy and by-laws must be handed to every customer on request.
- Billing is to be accurate, timeous and understandable.
- The customer is entitled to reasonable access to paypoints and to a variety of reliable payment methods.
- The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- Enforcement of payment must be prompt, consistent and effective.
- Fraud/criminality will lead to loss of rights and heavy penalties and/or public prosecution.
- Incentives and disincentives may be used in collection procedures.
- The collection process will be cost-effective.
- Collection "Best Practices" will be pursued.
- Results will be regularly and efficiently reported.
- Application forms will be used to categorise customers and to determine whether the customer qualifies for indigent support, pre-payment or credit meters.
- Although customer care and debt collection are inter-related issues, they should be performed by two separate divisions.
- There must be legal cause between the municipality and its customer and customer debt must arise out of a legal framework and must be legally collectable.
- Indigent households will be identified and supported. Welfare is to be separated from tariff and credit control issues and will be supported by appropriate and affordable policies and practices. Indigent support will be introduced within council's financial ability.
- Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

Duties and Functions of Council

- To approve a budget consistent with the needs of communities, ratepayers and residents.
- To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- To provide sufficient funds to give access to basic services for the poor.[1]

[1] Preferably, the total equitable share should be set aside for this purpose. If this amount is not enough, an additional sustainable provision must be made, according to the municipality's financial ability.

- 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.[2]
- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Municipal Manager.[3]
- To approve a reporting framework for credit control and debt collection.[4]
- To consider and approve by-laws to give effect to the Council's policy.
- To monitor the performance of the Executive Committee and Municipal Manager 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 action against councillors, officials and agents who do not execute council policies and by-laws.[5]
- 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 Executive Committee and Municipal Manager respectively.
- To provide sufficient capacity in the Treasury department for credit control and debt collection.
- To appoint debt collection agents to assist the Municipal Manager in the execution of his duties, if required.

3.1 Duties and functions of Executive Committee

- To ensure that Council's budget, cash flow and targets for the debt collection are met and executed in terms of the policy and relevant by-laws[1].
- To monitor the performance of the Municipal Manager in implementing the policy and by-laws[2].
- To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes[3].
- To report to Council[4].

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[2] The bad debt provision should at least reflect the increase in debtors during the previous financial year. The amount provided for can only be reduced by the amount provided for working capital.
[3] A realistic target would be to improve on the previous year's result by 5% - 10%. The target should be reviewed every year until the turnover rate of debtors is between 45-56 days.
[4] See Section 3.4.
[5] Including credit control and debt collection

Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive committee must –
(a) Oversee and monitor -
[1] (i) The implementation and enforcement of the municipality's credit control and debt collection policy and any by-laws enacted in terms of section 98; and
[2] (ii) The performance of the municipal manager in implementing the policy and any by-laws.
[3] (b) When necessary, evaluate or review the policy and any by-law, or the implementation of the policy or such by-laws, in order to improve efficiency of it's credit control and debt collection mechanisms, processes and procedures; and
[4] (c) At such intervals as may be determined by the Council report to a meeting of the Council, except when the Council itself performs the duties mentioned in paragraph (a) and (b).

3.2 Duties and functions of the Municipal Manager

- To implement good customer care management.
- To implement council's credit control and debt collection policy.
- To install and maintain an appropriate accounting system.
- To bill customers.
- To demand payment on due dates.
- To raise penalties for defaults.
- To appropriate payments received.
- To collect outstanding debt.
- To implement "Best Practices".
- To provide different payment methods.
- To determine credit control measures.
- To determine work procedures for public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- To appoint firm/s of attorneys to complete the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
- To set performance targets for staff.
- To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- To delegate certain functions to heads of departments.
- To determine control procedures.
- To report to the Executive Committee.

3.3 Duties and functions of Communities, ratepayers and residents

- To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- To observe the mechanisms and processes of the municipality in exercising their rights.
- To allow municipal officials reasonable access to their property to execute municipal functions.
- To comply with the by-laws and other legislation of the municipality.
- To refrain from tampering with municipal services and property.

3.4 Duties and functions of Ward Councillors and Political parties

- To hold regular ward meetings.
- To adhere to and convey council policies to residents and ratepayers.
- To adhere to council's code of conduct for councillors.

POLICY PRINCIPLES

Customer Care and Management Policy[5]

4.1 Communication and feedback

4.1.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling its budget which will include:

a) A first budget meeting, during the budget process, wherein Council will consider budget priorities, principles and a budget framework.

b) Public meetings will then be called, to invite at least the following: political parties; ratepayers and civic organisations; chambers of business and organised labour; the general public and other interested parties, at which the budget priorities, principles and framework will be outlined and debated.

c) Need identification workshops will be conducted in all wards as part of the IDP Review process, the objects of which will be:

i) To identify all the needs of the wards that are legitimately in the area of responsibility of the council.

ii) To involve the community in prioritising these needs.

iii) To involve the community in Council's planning, and to provide the community with much basic information as to what Council does and what other levels of government do.

iv) To inform the community of the levels of payment and non-payment in that ward, and to devise strategies in that regard.

d) A technical workshop, which will marry the results of the first budget meeting, the public meetings, and the need identification workshops with Council's Integrated Development Plan.

e) Thereafter Council's draft Capital and Operating budgets, informed by the above processes, will be tabled by the Mayor in no later than 31 March of every year.

f) Thereafter a final budget will be consider by Council for approval before or on 31 May of every year.

4.1.2 Council's Customer Care and Management, and Debt Collection Policy, will be made available by general publication and on specific request, and will also be available at Council's cash collection points.

4.1.3 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.

4.1.4 Ward councillors will be required to hold regular ward meetings, at which customer care and debt issues will be given prominence.

4.1.5 The press will be encouraged to give prominence to Council's Customer Care and Debt issues, and will be invited to Council meetings where these are discussed.

4.1.6 Council aims to establish:

a) A central complaints/feedback office;

b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;

1 Section 95(a) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within it's financial and administrative capacity, establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for payments and the municipality.

c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and

d) A communication mechanism to give council feedback on service, debt and other issues of concern.

4.2 Service application and agreements

4.2.1 All customers of services will be required to sign an agreement governing the supply of and cost of, municipal services. Owners may not allow a tenant to sign an agreement with the municipality. All applications for services to be done by the owner and held in the name of the owner.

4.2.2 Prior to signing this agreement, owners will be entitled to receive the policy document of the Council on request.

4.2.3 On the signing of the agreement, owners will receive a copy thereof.

4.2.4 Within a specified period (in the agreement) of change of ownership, meters will be read and an account posted.

4.2.5 In the agreement, customers will acknowledge liability for costs of collection, and interest and penalties, in the event of delayed payment.

4.3 Customer screening and securities

4.3.1 All applicants for municipal services will be checked for credit-worthiness including checking information from banks, credit bureau, local authorities, trade creditors, and employers.

4.3.2 Security deposits either in cash or any other security acceptable to the municipality will be taken, and may vary according to the risk. A minimum deposit of the equivalent of two months average consumption will be taken.

4.3.3 Deposits can be increased by the municipality at any time at the sole discretion of the municipality to a maximum of two and a half months consumption, subject to 30 days notice being given.

4.3.4 Deposits can vary according to the credit-worthiness or legal category of the applicant subject to paragraph 4.3.

4.3.5 The municipality will not pay any interest on deposits.

4.3.6 On the termination of the agreement the amount of the deposit less any outstanding amount due to the municipality will be refunded to the consumer.

4.4 Accounts and billing[6]

4.4.1 Customers will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.

4.4.2 Accounts will be produced in accordance with the meter reading cycle and due dates are linked to the statement date.

[6] Section 95 (d) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within it's financial and administrative capacity take reasonable steps to ensure that the consumption of services has to be measured through accurate and verifiable metering systems.

4.4.3 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.

4.4.4 It is the client's responsibility to ensure timeous payment in the event of accounts not received.

4.4.5 Settlement or due date is the last working day of each month in respect of services and rates accounts.

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

4.4.7 Where any payment made to the municipality or its authorised agent by negotiable instrument is later dishonoured by the bank, the municipality or its authorised agent:

(a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer.

(b) Shall regard such an event as default on payment.

4.4.8 The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request.

4.5 Metering[7]

4.5.1 The municipality will endeavor, within practical and financial limits, to provide meters to every paying client for all meterable services.

4.5.2 All meters will be read monthly, if at all possible. If the meter is not read monthly the council will average the consumption for the preceding three months.

4.5.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.

4.5.4 Customers will be informed of meter replacement.

4.5.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an average consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

4.6 Right of access to premises

4.6.1 The owner and or occupier of premises give an authorised representative of the municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service[8].

4.6.2 The owner accepts the cost of relocating a meter if satisfactory access is not possible.

4.6.3 If a person contravenes 4.6.1 the municipality or its authorised agent may:

(a) By written notice require such person to restore access at his/her own expense within a specified period.

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[7] Section 95 (e) provides that a municipality must ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amount due.

[8] Section 101 provides that the occupier of premises in a municipality must give an authorised representative of the municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect stop or restrict the provision of any service.

(b) If it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such person.

4.7 Payment facilities and methods and stop orders and debit orders

4.7.1 The municipality will operate and maintain suitable banking and cash facilities which facilities will be accessible to all users.

4.7.2 The municipality will, at its discretion allocate a payment between service debts – a debtor who has overdue debt may not specify that the payment is for a specific portion of the account.

4.7.3 The municipality may, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.

4.7.4 The customer will acknowledge, in the customer agreements, that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

4.8 Enquiries, appeals and service complaints

4.8.1 If a customer is convinced that his or her account is inaccurate, he or she can lodge an appeal with the municipality for recalculation of this account[9].

4.8.2 In the interim the debtor must pay the average of the last three months account where history of the account is available. Where no such history is available the debtor is to pay an estimate provided by the municipality before payment due date until the matter is resolved.

4.8.3 The relevant department will investigate and inform the debtor within one month.

4.8.4 Failure to make such agreed interim payment or payments will make the customer liable for disconnection.

4.8.5 A customer may appeal against the finding of the municipality or its authorised agent in terms of 4.8.2.

4.8.6 An appeal and request in terms of 4.8.5 must be made and lodged with the municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in 4.8.2 and must:

(a) Set out the reasons for the appeal.

(b) Be accompanied by any security determined for the testing of a measuring device if applicable.

4.9 Business who tender to the Municipality

4.9.1 The Procurement Policy and Tender Conditions include the following:

i. When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.

[9] Section 95 (f) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must provide accessible mechanisms for those persons to query of verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts.

ii. A municipal account to mean any municipal service charge, tax or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated account or overdue in terms of the contract or any other due date that has passed.

iii. Tender conditions contain a condition allowing the municipality to deduct moneys owing to the municipality from contract payments in terms of a reasonable arrangement with the debtor.

4.10 Incentives for prompt payment

4.10.1 The municipality may, to encourage payment, and to reward good payers consider from time to time incentives for the payment of accounts.

4.10.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

4.11 Customer assistance programmes

4.11.1 The customer has the responsibility to control and monitor his/her electricity consumption.

4.11.2 Rate rebates

4.11.2.1 Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council through it's Rates Policy.

4.11.2.2 A rate rebate may be granted to social pensioners or the receiver of a State disability grant as determined by Council from time to time. To qualify for the concession the following criteria will apply: Application must be made each year and reach the Chief Financial Officer on or before 31 July. If the application is received after 31 July of every year the rebate will only be applicable from the month following the application. The applicant must be the registered owner of the property and should not sub-let any portion of the dwelling or take in boarders and used solely for residential purposes. The applicant should not own any other property. The property must be readily accessible to municipal staff for the purpose of carrying out of inspections.

4.11.3 Arrangements for settlements

4.11.3.1 If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer. He/she must:

i. Sign an acknowledgement of debt;

ii. Sign a consent to judgement;

iii. Provide a garnishee order/emolument order/stop order (if he or she is in employment);

iv. Acknowledge that interest will be charged at the prescribed rate;

v. Pay the current portion of the account in cash; and

vi. Sign an acknowledgement that, if the arrangements are being negotiated later defaulted on, that no further arrangements will be possible and that the restriction of water to the number of free kiloliters presently allowed and the disconnection of electricity, that is provided by the uMngeni Municipality or by another municipality or organ of state through a service delivery agreement, will immediately follow, as will legal proceedings.

4.11.3.2 Customers with electricity arrears must agree to the conversion to a prepayment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by

i. adding it to the arrears bill and repaying it over the agreed period; or

ii. adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

4.11.3.3 Council reserves the right to raise the deposit/security requirement in accordance with paragraph 4.3 of debtors who seek arrangements.

4.11.4 Rates by instalments

4.11.4.1 Customers will pay the property rates account monthly, over 11 months with the first payment due on or before 31 August of every year and the final instalment due on 30 June of every year.

4.11.5 **Indigent support**

4.11.5.1 Qualifying households. A household, which has a total income of all occupants over 18 years of age, of less than R3 000.00 per month, qualifies as an indigent household in terms of this subsidy.

4.11.5.2 Funding of subsidy. The source of funding of the Indigent subsidy is that portion of the equitable share contribution to the municipality made from the national government's fiscus and as provided for in the budget. In exceptional circumstances this can be supplemented from other revenues.

4.11.5.3 Subsidised services are to be refuse removal, electricity and assessment rates. A policy guideline is to attempt to get the subsidy to cover free refuse removal, free basic electricity and assessment rates with respect to Indigent Support.

4.11.5.5 Electricity will be subsidised, and households for indigent support must convert to prepayment electricity meters of not more than 20 Amp. Free electricity of 100kwh per month will be supplied to these consumers.

Debt Collection Policy

5.1 Enforcement Mechanisms

5.1.1 Interruption of service[10]

5.1.1.1 Customers who are in arrears with their municipal account and who have not made arrangements with the council will have their supply of electricity and water and other municipal services, suspended or disconnected.

5.1.1.2 The disconnection of electricity services may happen when the municipal account is 1(one) day overdue.

5.1.1.3 Council reserves the right to deny or restrict the sale of electricity to customers who are in arrears with their rates or other municipal charges.

[10] Section 97 (g) of the Local Government: Municipality Systems Act, 2000 provides that a credit control and debt collection policy must provide for termination of services or the restriction of the provision of services when payments are in arrears.

5.1.1.4 Upon the liquidation of arrears, or the conclusion of arrangements for term payment, the service will be reconnected as soon as conveniently possible.

5.1.1.5 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the customer.

5.1.2 Interest and penalties

5.1.2.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.[11]

5.1.3 Personal contact

5.1.3.1 Telephonic contact

5.1.3.2 Agents calling on clients

5.1.3.2.1 Council will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigent subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

5.1.3.2.2 The municipality shall maintain a schedule of debtors with large amounts outstanding (the cut-off amount will be agreed by Council) and will maintain intensive contact with these debtors as in 4.11.3.1.

5.1.3.2.3 Such contact is not a right for debtors that debtors enjoy – disconnection of services and other collection proceedings will continue in the absence of such contact for whatever reason.

5.1.4 Legal Process/Use of attorneys/Use of credit bureaus

5.1.4.1 Council may, when a debtor is in arrears, commence legal process againts with that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

5.1.4.2 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.

5.1.4.3 Council will establish procedures and codes of conduct with these outside parties.

5.1.4.4 Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.

5.1.4.5 All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.

5.1.4.6 All costs of this process are for the account of the debtor.

5.1.4.7 Individual debtor accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing and this situation will be included in Council's agreement with its customers.

5.1.4.8 Council may consider the cost effectiveness of this process, and will receive reports on relevant matters, including cost effectiveness.

5.1.4.9 Council may consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or product vendors; and will be closely monitored by Council

[11] Section 97 (e) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for interest on arrears, where appropriate.

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

5.1.4.11 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.

5.2 Theft and fraud

5.2.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be prosecuted and/or liable for penalties as determined from time to time [12].

5.2.2 Council will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.

5.2.3 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.

5.2.4 Council will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

5.2.5 Council may distinguish in its penalties between cases of vandalism and cases of theft.

5.2.6 Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.

5.2.7 Council reserves the right to lay charges and to take any other legal action against both vandals and thieves.

5.2.8 Any person failing to provide information or providing false information to the municipality may face immediate disconnection.

5.3 Cost of collection

5.3.1 All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with credit control are for the account of the debtor and should reflect at least the cost of the particular action.

5.4 Abandonment

5.4.1 The Municipal Manager must ensure that all avenues are utilized to collect the municipality's debt.

5.4.2 There are some circumstances that allow for the valid termination of debt collection procedures:

i. The insolvency of the debtor, whose estate has insufficient funds.

ii. A balance being too small to recover, for economic reasons considering the cost of recovery.

5.4.3 The municipality will maintain audit trials in such an instance, and document the reasons for the abandonment of the debt.

[12] Section 97 (h) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for matters relating to unauthorised consumption of services theft and damages.

5.5 Rates clearance

5.5.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges are paid by withholding a rates clearance certificate[1].

Performance Evaluation

6.1 Income Collection Targets

Council to create targets that include:

i. Reduction in present monthly increase in debtors in line with performance agreements determined by council.

6.2 Customer Service Targets

Council to create targets that would include:

i. Response time to customer queries.
ii. Date of first account delivery to new customers.
iii. Reconnection time lapse.
iv. Meter reading cycle.

6.3 Administrative Performance

Council to create targets that will include:

i. Cost efficiency of debt collection.
ii. Enforcement mechanism ratios.

6.4 Council will create a mechanism wherein these targets are assessed; Council's performance is evaluated and remedial steps taken.

Reporting to Council

7.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the municipal Manager to report to Council. This report shall report on:

i. Cash flow information for the capital and operating accounts, and combined situation, showing Council's actual performance against its cash flow budgets.
ii. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; default arrangements; growth or reduction of arrear debtors; ideally divided into

[1] Section 118 of the Local Government: Municipal Systems Act, 2000 provides that a registrar of deeds or other registration officer of immovable property, may not register the transfer of property, except on production of a certificate by the municipality that all amounts due to the municipality during the two years preceding have been fully paid.

wards, business (commerce and industry) domestic, state, institutional and other such devisions.

iii. Performance of all areas against targets agreed to in item 6 of this policy document.

iv. Council's ongoing income and expenditure statements, comparing both billed income and cash receipt income, against ongoing expenditure in both the capital and operating accounts.

7.2. If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizeable income levels.

7.3. The chief Financial Officer will report the provision for bad debts to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately apply the below percentages in order to provide provision for bad debts on the financial statement as at 30 June.

Provision for bad debts methodology

NO.	Debtors Ageing	Amount	Basis	Write Offs	Total	Debtors Provision	Debtors as at 30 June
1	Currrent	-	0%	-	-	-	-
2	30 Days	-	0%	-	-	-	-
3	60 Days	-	15%	-	-	-	-
4	90 Days	-	30%	-	-	-	-
5	120 Days	-	40%	-	-	-	-
6	150 Days	-	55%	-	-	-	-

Structures of Treasury

8.1. Council shall quarterly receive a report from the Chief Financial Officer, if necessary after consultation with suitable consultants, on the manpower and systems requirements of treasury which requirements take into account Council's agreed targets of customer care and management, and debt collection, and, after considering this report, Council will within reason vote such resources as are necessary to ensure that treasury has the staffing and structures to meet Council's targets in this regard or to outsource the service.

Annexure "A"

MUNICIPALITY
APPLICATION FOR MUNICIPAL SERVICES

TOWNSHIP…….

STAND NO…….

PLEASE RENDER/*DISCONTINUE THE FOLLOWING SERVICES ON …….(DATE)
(XXX WORKING DAYS' NOTICE IS REQUIRED)

DEPOSIT PAYABLE: R…….. RECEIPT NO:……..
EXISTING ACCOUNT NO:…… NEW ACCOUNT NO:……..

WATER PROVISION			**SEWERAGE (TOILET)**		**ELECTRICITY**		**REFUSE**
Communal Standpipe	Yard Tap	House Connection	Bucket	Water Connection	Prepaid	Credit meter	Removal

TYPE OF SUPPLY:

Domestic		Commercial		Industrial		Educational		State		Agricultural	
State whether any type of business activities to be conducted from residential addr										YES	NO

At street address: ……

TYPE OF BUILDING

House		Business		Flat		Complex		Sectional Title		Other	

B. PERSONAL INFORMATION OF APPLICANT/CUSTOMER

Trust/ Close Corporation/Company name : ……
Trust/ Close Corporation/Company registration no[1]. : …….
Surname[2] : ……. ID Number : ……
First names : ……. Pension Number : ……..……..

Previous Address : ……
Postal Address : ……
Employer : ……
Work Address : ……
Employee number: ……
Postal Code : ……. Number of years at current site : ……
Tel. Work : ……. Tel. Home: ……
Occupation : …… Cell No: ……
Marital Status : …… Bank Details: ……
Spouse Details: Branch ……
ID number : …… Account No ……
Cell No. : …… Do you wish to make use of :
Name of Employer : …… Debit order: YES/NO
Work Address : …… Stop order: YES/NO
Work Tel. No. : …… Vehicle Registration No: ……
(In/out community of property/Marital Status Contract /Divorced)
List of other accounts held : 1……Account No. ……
2……..Account No. ……
3……..Account No. ……
Previous municipal account ……Account No. ……
Occupiers of stand other than family (rental, backyard lodgers, spaza shops, taxis, etc): ……

Number of people residing on property [ ] Over 18: [ ] under 18: [ ]

[1] No application form will be considered unless copies of the relevant registration forms are attached.
[2] Surname of account form will be considered unless copies of the relevant registration forms are attached.

Income of household if applying for
indigent support: (Include all sources of revenue of all the persons residing on the site)
Method of account delivery: Fax ☐ Post ☐ E-mail ☐ E-mail address ☐

Name and address of a family member and/or friend not residing at the same address:
…… …… Tel. No. ……
If not the owner, to whom do you pay rent:
……

C. TO BE COMPLETED BY OWNER/AGENT/CARETAKER FOR LEASED PROPERTIES

Surname :	……..	First Name :	……
Home Address :	……..	ID NUMBER :	……
Name of Employer :	……..		
Date :	……..	Signature :	……....

D. DECLARATION BY APPLICANT

I hereby declare that I/we agree to the conditions of supply of the mentioned services as laid down in the by-la
Municipality
and other laws that are applicable.

I/We hereby certify the information furnished to be correct.

I/We hereby accept the street address/stand number specified above as my own domicilium citandi et executand
where I will accept any notices to be served.

I/We received a duplicate of this application form and am/are aware of the applicable further conditions of suppl
the
Annexure at the back of this form.

..... ……

CUSTOMER/APPLICANT *ON BEHALF OF MUNICIPALITY*

DATE: ……

uMNGENI MUNICIPALITY

HUMAN RESOURCE TRAINING AND DEVELOPMENT POLICY

DATE OF ADOPTION: 30 MARCH 2016

DATE OF IMPLEMENTATION: 1 JULY 2016

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INTRODUCTION

The Human Resource Training and Development function is one of the most important tools of skill development in any organisation that strives for an efficient and effective workforce. The responsibility for training and development needs special attention within the municipality to ensure that employees and perspective employees are competent and motivated. Competent and motivated employees are an asset to any oragnisation, but this does not happen naturally. Effective training and development is necessary to achieve the level of skills and knowledge required to perform required tasks.

Training is not a separate activity that can be limited to the Human Resource Training and Development section only. To be more effective, it has to be connected to all role players in an attempt to achieved a well trained and developed community.

This Human Resource Training and Development Policy should comply with provisions contained in the following Acts not limited to:

Skills Development Act, 1998
Skills Development Levy Act, 1999
Labour Relations Act, 1995

DEFINITIONS

Human Resource Training and Development (HRTD): Process whereby people acquire the necessary knowledge and skills to perform delegated tasks.

Municipal Employee : An employee of the municipality.

Prospective Municipal Employee : A person whom it is the intention of the municipality to appoint as its employee upon completion of training provided by, paid for or arranged by the municipality.

Training : All planned and intended activities which enable or assist an employee or prospective employee to improve their knowledge and skills in order to perform delegated tasks more effectively and efficiently.

Financial Assistance : Monetary support that is given to a prospective or municipal employee to undergo education, training or development in the form of bursaries, financial assistance and /or leave.

PURPOSE OF THE POLICIES

The purpose of the policy framework is to transform Human Resources Training and Development within uMngeni Municipality into a dynamic, need and out-come based proactive instrument. Through this policy, HRTD will be capable of playing a strategic role in transforming the municipality by providing effective, efficient and cost-effective service delivery, that is essential to the well being of the municipality and our customers. To ensure that the municipality is served by professional, competent, productive employees who will have, through continuous improvement in skills and attitude facilitated by the Training Division, distinguish themselves of being capable of delivering high quality services to all people in an endeavor to achieve the municipal strategic objectives. The policy seeks to develop a workplace skills plan that will serve as a guide to address Training and Development issues. It will have a link between employee needs, the municipality and environment in order for employees to reach their desired level of job satisfaction through performance and the municipal objectives. This policy will seek to allow everyone in the municipality access to learning (training) according to the Skills Development Act.

4. THE WORKPLACE SKILLS PLAN POLICY

The workplace skills plan should include the following information.

- Number of people employed by the municipality in terms of occupations and race.
- The strategic priorities for skills development
- The breakdown of the education and training needed to achieve the priorities identified which include proposed training interventions, estimated costs, and specified job types and whether interventions will be conducted by external training providers or mentorship.
- Training and education needed to ensure the development of business and employees.
- Information regarding employment equity.
- Criteria to determine the beneficiaries in all occupational categories for each financial year

4.1 PURPOSE OF THE WORKPLACE SKILLS PLAN

The construction of a workplace skill plan impacts on a number of vital areas, namely:

- Management and employees start to discuss skills in the workplace, in line with the strategic Plan of the municipality.
- Gaps and shortfalls in skills required are identified and discussed in a positive way
- Management starts to share their departmental goals with their employees, who in turn start to understand and commit to the process of achieving them.
- The municipality will uncover talents and skills they did not know they had.
- The Identification of scarce skills resources e.g. Engineers, Technical and Financial staff.

4.2 IMPLEMENTATION STRATEGY

The strategy will include the following:

- Assessment of the skills required in delivering the strategic plan of the municipality.
- Assessment of the municipality's existing Training and Development capacity.
- Providing training and education for employees at all levels in the municipality.
- Developing a mentoring and coaching system to address skills shortages in the municipality.
- Developing a plan for succession in key and strategic positions.
- Develop and facilitate career pathing in the municipality.
- Assessment of level of skills to all employees and preference be given to previously disadvantaged employees.

4.3 CO-ORDINATION

- The HR Training and Development section shall structure a Training program\ business plan according to the prioritized needs.
- HR Training and Development section shall coordinate the attendance of courses offered locally or in the province of KwaZulu/Natal
- The training program must be job related and aligned with the council objectives (IDP Strategy).
- HR Training and Development section shall coordinate and monitor attendance of courses and workshop and supervisors will send the nomination to the HRTD section.
- All General Managers will identify the incumbent to be sent for training as per the agreed criteria in their department and submit names to the General Manager: Corporate Services.

4.4 HRTD FACILITATOR'S ROLE

- To facilitate the formulation, development, implementation of the municipal Human Resource Training and Development Policy in line with the Provincial and National Training Policies on Training and Development.

- Conduct Training needs analysis, skills audit and research on training approaches
- Administer a bursary scheme for serving personnel and prospective employees,
- Provide information and advice to employees and managers on training and development matters.
- Co-ordinate and plan training and development activities in the municipality
- Co-ordinate the evaluation of training across the municipality to suit both our internal incumbents in the workplace and external target groups e.g. emerging contractors.

4.5. RESPONSIBILITIES

4.5.1. INDIVIDUAL:

Training is the responsibility of an individual. All officials in the municipality shall be made aware that they are responsible to make an effort for self-development and utilize the opportunity afforded to them.

4.5.2. GENERAL MANAGERS

All general managers and managers at all level shall provide training opportunities for the employees under their supervision. They shall also be responsible for encouraging and ensuring that training and development within their department is in accordance with the training plan of the municipality.

4.5.3. HUMAN RESOURCES TRAINING AND DEVELOPMENT FACILITATOR

- Identify competencies needed by staff members to perform their duties to the standard required.
- Conduct training needs analysis.
- Develop training programmes suitable for the identified needs.
- Co-ordination/Facilitation of the programmes.
- Ensuring that learning is readily transferred to the workforce.
- Ensuring that the outcomes of the training and development programmes are evaluated.
- Provide structured training processes that will ensure every staff member's work performance is maximized and potential is fully developed.
- Monitor bursary holders progress and report to the General Manager Corporate Services
- Facilitate the appointment of mentors who will communicate with the Institutions and assist the student with studies.

4.5.4 GENERAL MANAGER: CORPORATE SERVICES

- The General Manager: Corporate Services shall be responsible for the establishment of the Skills Development Forum.

- The General Manager: Corporate Services shall budget for Training in accordance with section 30 of the Skills Development Act, of 1999 (Act No 97 of 1998), thus ensuring that sufficient funds are available for the training of all employees at all grades.
- Facilitate the permanent appointment of a Skills Development Facilitator.

4.6 ESTABLISHMENT OF SKILLS DEVELOPMENT FORUM

The General Manager: Corporate Services shall be responsible for the establishment of the municipal Skills Development Forum.

- Each component of employment from all occupational categories/ levels shall be represented
- Organized labour shall be represented.
- Corporate Services Committee council representatives shall also be members of this Forum which includes the Mayor and the Speaker.

4.7. FUNCTION OF THE SKILLS DEVELOPMENT FORUM

The function of this Forum is to:

- ensure that training strategies at the operational level are designed, delivered and monitored in a consultative, participative, transparent and equitable way,

- communicate information about training policy and programmes to all staff members.
- help align training policy with the expressed needs of the municipality and employees.
- monitor the relevance and impact of Education and Training programmes to actual work situations and performance improvements.

4.8. SCHEDULE FOR SKILLS DEVELOPMENT FORUM MEETINGS

The Skills Development Forum shall meet quarterly to discuss the issues of concern.

4.9. MONITORING AND EVALUATION

Human Resource Training and Development section shall be the frontrunner in terms of monitoring and evaluation. It shall be the policy of the municipality to continuously improve the mechanisms for monitoring and evaluation of training. General Managers, Managers and all staff members should play an important part in ensuring Value for Money in all training efforts.

For all courses / Workshops/ Conferences or Seminars, all attendees must give a report back to Municipal Management Committee (MANCO) when required to do so.

There should be no authorization of training in any department without the knowledge of the Training and Development section. This is done for monitoring and reporting purposes.

SECTION B

5. BURSARY: POLICY

5.1 PURPOSE

The aim of this policy is to provide monetary assistance with regards to study, training or research that will contribute to the work of the uMngeni municipality
To afford selected applicants the opportunity of equipping themselves in a formally structured way on the basis of identified requirements in the interest of the Council with knowledge and skills in order to cope with present and future allocated duties.

5.2. DEFINATIONS

Student : refers to a person who studies or who enrolled for a course instruction in a college or university.

Institution : refers to any higher education or further education institution, deemed to be established or declared as such registered as a public Higher Education or Further Education Institution by the Director-General of the National Department of Education.

National Qualification Framework: means the National Qualifications Framework approved by the Minister for the registration of national standards and qualifications.

Qualification : means a the formal recognition of the achievement of the required number and range of credits and such other requirements at a specific levels of the National Qualifications Framework as may be determined by the relevant bodies registered for such purpose by the South African Qualification Authority

5.3. CRITERIA FOR AWARDING A BURSARY

- Academic ability required for the proposed field of study [Minimum requirement for admission].
- Preference shall be given to those who have completed at least one year at tertiary level. (Full Time) and or those already admitted to enroll in to the recognised educational institution.
- Relevance of the course to the municipality.
- Preferably scarce skills. E.g. Engineers technical skills and financial especially post matriculant
- Preference should be given to previously disadvantage who are residence within uMngeni Municipality.
- Bursary holders are expected to serve a particular period with the municipality after completion of their studies in terms of the pre-signed contract.

5.4. BURSARY HOLDERS

Successful applicants shall be required to enter into an agreement with the Council before any payment can be made to an institution.
A confirmation letter of payment shall be issued at the beginning of each year to progressing students.
The contents of a contract shall be strictly adhered to.

5.5. BURSARY AMOUNT

The Bursary amount will depend on the availability of funds in each financial year.

Full-Time Study

Tuition and registration fee	100%
Boarding & lodging	100%

Prescribed study material(s) will be purchased by the municipality of which it will remain as municipal property for future reference.

No provision for transport

5.6. EXEMPTION FROM SERVICE OBLIGATION

A bursary holder shall be appointed as an intern upon completion of studies when there is no vacancy in the municipality.

5.7. EXPERIENTIAL / IN SERVICE TRAINING

Student will be required to undertake practical on the field of study within any department of the municipality.***(sentence to be rephrased)***

5.8. GENERAL OBLIGATION

- Students shall only register for the course that the bursary was awarded for.
- No applicant /student shall be allowed to change institution without the prior approval of the municipality.
- Bursary holders are obliged to serve on completion of their studies for a period determined by the pre-signed contract. Failing which the bursary holder shall pay back all expenses incurred.
- Closing date of bursary applications will be the 31 of December every year.
- The municipality has no obligation to appoint a bursary holder whom has completed his/her studies; however the municipality will assist where possible in this regard.
- A student who has failed a particular course / courses shall repeat such course at his/her own expense.
- A student who discontinued or fails to complete his/her studies will have to make representation to Management Committee as to his/her failure or discontinuation with his/her studies of which decision will have to be taken regarding repayment of expenses incurred by the municipality.
- It is the responsibility of a student who de-register to inform the HRTD section within seven (7) days after de-registration. The bursary holder shall be liable for de-registration costs.
- No student shall be allowed to enter into another contract, which contradicts the contractual obligation of the existing one.
- Students shall apply through completing the application forms, which will be available in the Human Resource Development section, the forms must be submitted to the Human Resources Development upon completion.
- It is the duty of the applicant to gain admission at a recognized & accredited institution and an admission letter should accompany the application forms.
- If the applicant is already studying, the contract has to be renewed every year. When renewing the contract a progress report /statement of results issued by the institution in question must be attached and the form must be submitted in January of each year before the re-opening of an institution.
- The General Manager Corporate Services shall issue a confirmation letter if all requirements mentioned above are met.

5.9. MONITORING AND SUPPORT

- The General Manager Corporate Services shall establish links with the institution where students pursue their studies and make arrangement for support and guidance to be given to students in receipt of bursaries.

- Communication with the institution shall be on a regular and systematic basis.
- To set up monitoring, a procedure which ensures that the municipality become aware of problems encountered by the students and can address those problems where possible.

- The General Manager Corporate Services shall report to the Municipal Manager on the progress of a student in receipt of a bursary. The monitoring and support system will apply to all bursary holders.

SECTION C

6. STUDY ASSISTANCE SCHEME: POLICY

6.1. Purpose

The purpose of this policy is to promote the principle of life long learning, by encouraging employees to take responsibility for their own education and skills development where this will add value to their performance towards the achievement of uMngeni Municipality's Integrated Development Plan.

6.2. Definition

Employee - refers to a person permanently employed by the Municipality excluding section 57 and contractual employees as per the Municipal Systems Act 32 of 2000, as amended.

Non permanent employee - refer to those workers who are employed to work for less than 24 hours per month, or those workers engaged to work for not more than 3 continuous months.

Institution - refers to any higher education or further education institution, deemed to be established or declared as such registered as a public Higher Education or Further Education Institution by the Director-General of the National Department of Education.

National Qualification Framework - means the National Qualifications Framework approved by the Minister for the registration of national standards and qualifications.

Qualification - means a the formal recognition of the achievement of the required number and range of credits and such other requirements at a specific levels of the National Qualifications Framework as may be determined by the relevant bodies registered for such purpose by the South African Qualification Authority.

Tuition fee - means a payment for tutorials and /or instruction towards studies.

Official vehicle - means a vehicle that is administered and maintained by the Municipality.

6.3. Monetary Assistance

- Financial Assistance for studies undertaken by employee shall not exceed the amount of R 7 000.00 depending on the institutional fee.
- Study Material, re-writing examination and any charges in respect of penalties or additional amounts shall be borne by the employee.

6.4. Selection Criteria

The applicant must meet the following criteria:

- Be an employee with six (6) months minimum service period with the Municipality
- Must produce proof of acceptance from recognised institution or meet the course requirements.
- Employees studying towards a qualification (unit standard based) with minimum duration of 6 (six) months.

Financial assistance for study will be prioritized for approval if there is a legislative requirement for the applicant to possess the intended qualification in his/her current position or where the intended qualification will satisfy a critical skills shortage within the municipality or local government sector.

6.5. Status of the Institution

Educational institution must meet the following criteria:

- institution must be accredited in terms of the Council of Higher Education.
- cost, course content and location will be considered in determining the appropriate institution
- Municipal Manager, General Manager: Corporate Services, in consultation with Human Resources Development Section will have the final decision on the institution.

6.6. Processes and Procedures

The following principles will guide the Municipality in managing the programme:

- General Manager: Corporate Services in conjunction with Human Resources Development will advertise through notice boards for employees to apply during the first week of the year (January) and for the second semester it will be the last week of May.
- Application forms will be obtainable from Human Resources Development section.

- Applicants must submit their application forms together with all relevant information required to General Manager: Corporate Services or via the Human Resources Development Officer. Applications will be obtainable from General Managers of all Departments.

- Application forms shall be noted by the supervisor then referred to the Head of Department to comment and support.
- General Manager Corporate Services, Human Recourses Development Officer may recommend to the Municipal Manager to approve the application.
- Human Resources Development Officer shall notify all applicants with regards to approval and non-approval applications
- Once the approval is obtained, the employee shall enter into written contract with municipality represented by the Municipal Manager.

6.7. Monitoring and Evaluation

Human Resources Development Officer will be responsible for ensuring that timeos payments are made directly to the institutions.

Employees shall be expected to submit relevant examination or assessment results to Human Resources Development Officer for each year or semester of study not later than 3 months after writing examinations.

Should the results be unavailable at that time, a letter from the institution to that effect should be submitted.

Employees receiving study assistance shall attend all required examinations/tests/assignments timeously as required by the institution.

Human Resources Development Officer must keep records of all results submitted by the employee.

6.8. Conditions and Terms of Contract

The employee shall be required to work for the period equivalent to the duration of the course as it will be covered in the contract agreement

Should an employee at any time before completing the work- back period referred to in clause 8 and for any reason leave the Municipality's service, he/she shall repay to the Municipality the whole amount paid by it in respect of the course.

The Council may at any time suspend/cancel any further payments if it is established or determined that the employee concerned has not made adequate progress towards his or her field of study or has abandoned his or her studies or has been guilty of misconduct in terms of the Council's relevant Conditions of Services.

In the event of an employee abandoning his or her studies at any time before completion of the course, the employee shall refund to the Municipality the whole amount in monthly installments. (referred to clause 5 of the agreement)

For the purpose of attending lectures at the institution, the employee shall be permitted to be absent from duty during working hours for not more that eight (8) hours per week.

Employees who are granted financial assistance in terms of this Scheme shall be entitled to one (1) day study leave for preparation per examination, and a further one (1) day for actual day of writing of an examination, subject to prior proof of the relevant examination time-table, being provided to the applicant's immediate supervisor, and proof of attendance at each examination being provided to the applicant's immediate supervisor the first working day following the examination.

There will be no financial recognition for passing or on completion of a course /qualification.

6.9. Interpretation

In the event that any differences may arise relative to the interpretation of this Policy and Agreement, no employees shall be precluded from being referring such matter in terms of Grievance Procedures.

Any amendments to this Policy and Agreement, shall be binding upon any employee who has been or is to be granted financial assistance in terms of the agreement. This will apply from the effective date of such amendment, notwithstanding the date of signature by such employee on application.

No amendments to this Policy and Agreement shall be valid or binding until proposed amendments have been approved by Council. This policy is reviewable.

SECTION D

7. LEARNESHIPS: POLICY

7.1. LEARNERSHIP LEARNERS

Successful applicants shall enter into an agreement with the municipality and the service provider before Learning can take place.

All parties shall strictly follow the content of the agreement.

7.2. ROLES AND RESPONSIBILITIES

The overall supervision of Learnership will be the responsibility of the General Manager of every department and shall include:

- Develop a project plan
- Develop learner recruitment and selection procedures.
- Conduct the recruitment and selection process.
- Induct learners on the Learnership.
- Identify learners and monitor their progress.
- Identify mentors and coaches.

7.3. MONITORING AND EVALUATION

- The municipality shall make the workplace learning available for learners.
- The municipality shall make accommodation and resources available for workplace learning.
- The Human Resource Training and Development section shall report to the General Manager and the HRD Committee on the progress of each learner.

7.4. CONCLUSION

The Objectives envisaged are all achievable and practical. This policy is subject to amendment from time to time.

UMNGENI MUNICIPALITY

INDIGENT POLICY

DATE OF ADOPTION: 30 MARCH 2016

DATE OF IMPLEMENTATION: 01 JULY 2016

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1. PURPOSE

The purpose of this policy is to ensure that registered indigent households have access to a basket of basic municipal services.

2. BACKGROUND

The provision of free basic social services by local government is part of the broader social agenda and anti-poverty strategy of the South African government.

Government at all levels has a constitutional obligation to take measures towards the realisation of the social and economic rights of all people as contained in the Bill of Rights. These rights include, inter alia health care, water, education, housing, food, social security and the environment.

Section 27 of the South African Constitution, 1996 (Act 108 of 1996) stipulates that:

2.1 Everyone has the right to have access to –
a) ……
b) Sufficient food and water; and
c) Social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.

The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of these rights.

Local Government, as the third sphere of Government, therefore has a Constitutional duty to assist the National and Provincial spheres of Government in the realisation of the above mentioned rights.

3. DEFINITIONS

Basic Municipal Services

Basic Municipal Services means a municipal service that is necessary to ensure an acceptable and reasonable quality of life that is not provided, would endanger public health or safety or the environment. For the purposes of this policy "Basic Municipal Services" refers to the following services supplied and subsidised by uMngeni Municipality:

Electricity

Refuse Removal

Burials

uMngeni Municipality and Department of Community Services

Child headed households

Child headed households for the purposes of this policy refers to households headed by a person under the age of 21 years but with an income made provision for in Clause 6 of this policy

Child headed household under guardianship

Child headed household under guardianship for the purpose of this policy refers to those exceptional cases where a guardian is appointed for the household but who does not have to:

- reside on the property
- be a registered indigent
- reside in the boundaries of uMngeni

House owner

House owner for the purposes of this policy refers to:

a) Registered owner or Title Deed holder
b) A person appointed by a competent court of law as a responsible person to take care of all the affairs of the deceased.
c)

Indigent Household

Any household of which the members are South African citizens / permanent resident and tenants who are also South African Citizens, who due to a number of economic or social factors are unable to pay for Municipal services.

Indigent Burial / Cremation

Indigent burial / cremation refers to any burial / cremation of an indigent (in terms of this policy), motivated by a ward councillor, excluding a pauper.

Minor

A person who has not attained the legal age of majority and, thus, has restricted or no legal capacity.

Registered Indigent Household

Registered Indigent household for purposes of this policy refers to those households who have met the indigent registration criteria.

Social Package

Social Package for the purposes of this policy will include basic municipal services (as defined in this policy) as well as rental and property rates

Suspended:

To stop or to cause to be active either temporarily or permanently

Tenant

Tenant in terms of this policy refers to a person residing in a property and who has a formal lease agreement with the uMngeni Municipality and the property is used for housing purposes.

Written off:

A cancellation of an item in account books

4. LEGISLATIVE FRAMEWORK

4.1 The provision of free basic social services by local government is part of the broader social agenda and anti-poverty strategy of government.

4.2 Government at all levels has a constitutional obligation to take measures towards the realisation of the social and economic rights of all peopled as contained in the Bill of Rights. These rights include, inter alia, health care, water, education, housing, food, social security and the environment.

4.3 In terms of section 27 of the **South African Constitution Act, 1996 (Act 108 of 1996)**

(1) Everyone has the right to have access to:
   (a) ……
   (b) Sufficient food and water; and
   (c) Social security, including, if they are unable to support themselves and their dependants, appropriate social assistance.

(2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of these rights

4.4 The review, approval and application of the uMngeni Municipality's Indigent Policy is part of the reasonable measures, within available resources, taken by the Municipality in pursuance of the said constitutional obligations

4.5 In terms of the provision in the **Municipal Systems Act, 2000 (Act 32 of 2000)** the Municipality must exercise its legislative or executive authority to provide municipal services and to act in the best interest of the local community within its available resources.

4.6 The aforementioned should therefore not be viewed in isolation of other measures, such as social grants, free primary health care, housing, promotion of small, micro and medium enterprises, etc. Taken by other spheres of government as part of an integrated national poverty alleviation strategy.

4.7 Section 97(1)(c) of the **Municipal Systems Act, 2000 (Act 32 of 2000)** states that a Municipality must provide in its debt collection and credit control policy for indigent debtors which provisions must be consistent with its rates and tariff policies and any national policy on indigents.

4.8 Indigent debtors or the poorest of the poor should have access to basic services in terms of the South African Constitution.

4.9 Indigent debtors are not able to fully meet their obligations for services consumed and property taxes on their monthly accounts.

4.10 The consumption of metered services by the indigent debtors must be maintained at manageable to increase affordability of services charges for them.

4.11 Tariffs for property tax and services must be made more affordable for the poor.

4.12 The poor are included in the household category of consumers, which category is responsible for the highest monthly escalation of arrear debt.

4.13 Applicants do not in all cases make full disclosure when application forms for indigent registration are completed and the collected information needs to be verified at all times.

4.14 Criteria for the identification of poor households must be clear and transparent.

5. FINANCING OF THE PROGRAMME

5.1 The Municipality must make provision on its annual Operating budget to subsidise the tariffs of registered indigent. Further more it must make provision in it's annual budget for indigent burials/cremations.
5.2 Registered Indigent households will receive a pre-determined quantity of electricity, as well as refuse, free of charge on a monthly basis.
5.3 The arrears on services covered by the indigent programme may be written off against the provision of bad debt.

6. REGISTRATION CRITERIA

A residential household can only be registered as indigent if it meets all of the following criteria:

6.1 The gross monthly income of all the members of the household does not exceed R 3000.00 per month.
6.2 The applicant as well as any other members of the household does not own other fixed property than the one in which they reside,
6.3 The person / applicant applying on behalf of a household must be above the age of Twenty one (21) years, except if the child is appointed executorship by a court of law.
6.4 The person / applicant applying on behalf of a household must reside at that property except when applying on behalf of a child headed household.
6.5 The person / applicant applying should be the owner or tenant as defined in this policy except when applying on behalf of a child headed household
6.6 The person / applicant must be a South African Citizen.

7. APPLICATION AND REGISTRATION PROCESS FOR SERVICES EXCLUDING BURIAL / CREMATION

7.1 Households who apply to be registered as indigent must complete an indigent application form at any designated uMngeni Municipality facility. Documentary proof as required in the application form will have to be submitted with the application form.
7.2 A database shall be kept by the uMngeni Municipality Community Services Department which will be reviewed every six months.
7.3 The Community Services Department must explain the policy to applicants and ensure that they understand the content of the policy

8. RESPONSIBILITIES OF REGISTERED INDIGENT HOUSEHOLDS

8.1 The registered indigent must be willing to accept technical assistance offered by the Municipality to make her / his current monthly consumption of service more affordable through limiting services.
8.2 The applicant must be willing to accept the limited service.
8.3 The registered indigent must always ensure that her / his monthly consumption does not exceed the limited level of services in terms of this programme.
8.4 Should the situation of the registered indigent household change the onus is on the household to inform the uMngeni Municipality immediately.
8.5 The status as an indigent must annually be confirmed by the indigent.
8.6 Refusal of a device to control consumption – the suspended debt will be re-instated and the household will be de-registered.

8.7 Reasonable care of the device. The registered household has a responsibility to report any tampering / vandalism to the device to the SAPS or uMngneni Municipality. If the tampering / vandalism are not reported the beneficiary will be held responsible.

8.8 The registered indigent household is responsible for the current account.

9. SOCIAL PACKAGE FOR REGISTERED INDIGENTS

9.1 **100% rebate on the first R100 000.00 of the value of the property**

9.2 **Free basic services**: Registered indigent households will receive a pre-determined quantity of electricity, free of charge on a monthly basis. These quantities and the concomitant cost, as well as any other free basic services, will be determined annually by Council.

9.3 **Service delivery benefits**: The municipality will take reasonable precaution within its means to ensure the minimisation of loss or wastage of services at indigent households by installing a pre-payment type electricity meter free of charge. The Chief Financial Officer of the Municipality will initiate a program, whereby consumers whose monthly consumption of services increases above the average of the pre-determined quantity, will be notified of this fact in writing to enable the consumer to take the required steps to reduce the consumption either by repairing faulty internal systems or reducing wastage. This information will be forwarded to the Community Services Department.

9.4 **Arrears of indigent households**: The credit control and debt collection actions will be suspended upon approval of a household as indigent, but current monthly accounts must be paid every month. Arrears of registered indigents will, upon recommendation by the Community Services Department be **suspended**. Applications must be processed and finalised within 3 months from the date of application.

9.5 **Rental arrears of Registered Indigent Households**: When a tenant with a valid lease agreement with the uMngeni Municipality is registered on the indigent register, his / her rental arrears will be **suspended**. The monthly rent should then be calculated at 25% of the family income or the Full Cost Recovery rental of that specific Housing Scheme depending on which one is the lowest. The minimum rental that will be considered is 25% of one government pension. Where service accounts and assessment rates form part of rental accounts these tenants are also allowed to register on the Indigent Register to receive the above benefit.

9.6 **Burial / Cremation Benefits**:

9.6.1 The municipality will bear the costs of the funeral of indigent persons. No relative or friends of the deceased will have any claim whatsoever against the municipality for cost incurred by them. All applications for indigent burial are to be endorsed by the ward Councillor before the benefit can be extended to the family.

9.6.2 The family or relative of the deceased buried as an indigent will be allowed to erect a tombstone on the grave l, at their own expense.

9.6.3 The next of kin will receive the reservation certificate and grave number upon request.

9.6.4 The deceased may be cremated upon request.

9.6.5 Family members can attend the burial according to their culture.

9.6.6 The family of the deceased can only arrange the funeral service with an undertaker designated by the municipality as tendered for in accordance with the provisions of the Supply Chain Management Policy.

10. AFFORDABILITY OF SERVICES

In an attempt to make services more affordable to indigent households, the following additional measures will be implemented:

10.1 Electricity

A 20 ampere circuit breaker will be installed to limit the usage of electricity and thereby lowering the levy of that service on the current account of those households who have not yet received a pre-payment meter. In order to recommend an ad hoc re-evaluation of the status of a registered household, a consistent consumption over any consecutive 3 months exceeding 300kwh of electricity per month will be used as a parameter to motivate such re-evaluation. Beneficiaries will receive 100kwh free per month for pre-paid only.

10.2 Refuse Removal Services

A free refuse removal service will be provided to all properties with a value of less than R200 000.00

10.3 Finance

No debt collection or credit control measures will be instituted against the indigent household for as long as consumption over and above the free use is paid in full.

10.3.1 Indigent consumers will be exempt from interest and annual collection charges applicable to rates, based on the merits of each case and circumstance of the individual.

11. EXITING THE INDIGENT REGISTER

11.1 Registration as an indigent household is terminated under the following circumstances:

11.1.1 Upon the sale of the property.
11.1.2 If the registered indigent is no longer residing at the property and upon termination of the rental agreement.
11.1.3 When criteria for qualifying as indigent changes to the extent that approval no longer applies
11.1.4 If it is discovered, after approval, that the person / applicant applying on behalf of a household has supplied false information. This will also result in the household's municipal account being debited with all monies previously credited.
11.1.5 The re-evaluation of indigent status will be performed after 6 months and registration will be terminated if it is found that the financial status of the registered indigent household or family has changed to such an extent that it warrants such termination.
11.1.6 The re-evaluation of indigent status will be done every six months to determine if the household is still indigent.
11.1.7 When the registered indigent moves out of the property on which she / he is residing to another property within the boundary of the uMngeni Municipality.

11.2 **Ad hoc Evaluation**

Ad hoc evaluation will be undertaken on all registered indigent households exceeding the consumption levels.

11.3 **Integrated Exit Programme**

The Community Services Department must develop and implement an Exit Programme for registered indigents.

12. Re-registration of Indigent Households

Households may apply and be considered for re-registration from the Community Services Department.

13. REQUEST FOR INDIGENT BURIAL / CREMATION ASSISTANCE

Any member or family of a registered indigent who applies for indigent burial / cremation assistance will be required to submit the following documents as proof:

13.1 Applicant's Identity document SA green barcoded ID
13.2 Deceased's Identity document SA green barcoded ID
13.3 Deceased's birth certificate
13.4 Death certificate of the deceased
13.5 Affidavit by South African Police Services (SAPS) as proof by the family member or relative declaring that they cannot afford to bury / cremate the deceased due to a lack of income.
13.6 Confirmation letter from Ward Councillor
13.7 Applicants for indigent burial/cremation, do not have to be registered indigents at the time, but may register as indigents when the support is required.

14. INDIGENT BURIAL / CREMATION

14.1 All requests for indigent burial / cremation will be referred to and considered by the Community Services Department.

14.2 Burial will be conducted as and when required.

14.3 Burial and cremation arrangements will be concluded according to specifications determined by the Council, who will appoint service providers.

14.4 The contracted funeral undertaker will bury the deceased closest to the area of residence of the deceased, but within the boundaries of the uMngeni Municipality.

15. PENALTY

The uMngeni Municipality has the right to claim back all benefits granted in terms of this policy, should it become apparent that registration was based on fraudulent conducts and false information by the applicant. This will still apply even after the indigent's status has been terminated.

Also attached is an Application Form for Indigent Support which will form part of the Indigent Policy.

UMNGENI MUNICIPALITY
APPLICATION FOR INDIGENT SUPPORT
SWORN DECLARATION/AFFIRMATION

To: uMngeni Municipality
Cnr Dick and Somme streets
Howick
3290

Attention: The Municipal Manager

I the undersigned (insert full name) _____
Do hereby in terms of the Council's Indigent Policy, make application for indigent support.

Only if you reply "YES" to each of the questions in A to G below, you need to complete the rest of these application forms.

Questions:

No:	Question	YES	NO
A	Is your property used predominately as a private residence?		
B	Are you the registered owner of the property or an occupant of a child headed household registered in the name of your deceased parent/s?		
C	Is your household income from all sources, less than R3000 per month?		
D	Do you only own one (1) immovable property in the Republic of South Africa?		
E	Are you, the applicant, and a full-time occupant of the property?		
F	If you already have a pre paid installed, reply YES. If not, have you completed the application form for conversion to a PPM meter, attached hereto and must a 20amp Mcb		

The following information must be furnished:

Applicant's particulars:

Municipal Account No.	
Erf No.	
Address of Property	
Surname	
First Name(s)	
Date of Birth	
Residential Address	

Postal Address					
Identity Number		Home Tel No.		Cell	
Name of Employer					
Employer's Address					
Work Tel No		Total number of people living on the property *			

*** Details of all occupants at the property, for which this application is being made:**

Initials and surname	Relationship to account holder	I.D Number	Gross monthly income	Source of Income	Employed		Proof of income	
					Y	N	Y	N
Total gross monthly income R								

Copies of certified documentation required to register:

If employed:-

- RSA identity book;
- Latest salary/wage payslip or a letter from an employer confirming income;
- An affidavit of a person who is self employed, that indicates the income earned;
- Proof of receipt of disability grant, maintenance grant or pension.
- A bank statement for the last three(3) months;

If unemployed-

- RSA identity book;

- A sworn affidavit confirming unemployment and a declaration that there is no other source of income;

Occupants under eighteen (18)-

- RSA identity book , copy of a birth certificate or an affidavit

Declaration by applicant:

I, the undersigned, ...
(Insert all first names and surname) hereby certify that:

a) I do not own any other immovable property in the Republic of South Africa;
b) I will immediately inform the Municipal Manager, in writing, should there be any change in my status, that disqualifies me as an indigent;
c) I agree that if I have misrepresented myself with the qualifying criteria, in order to benefit from Council's indigent relief. I would be committing an offence and all benefits that have been received in terms of the indigent relief, will be reversed. Any amounts due, will be for my account and I will be subject to normal debt collection procedures.
d) All information furnished by me on this form, is to the best of my knowledge, true and correct;
e) I agree that in order to qualify for the benefit as set out in the Indigent Policy, an electricity prepayment meter and must be installed.
f) The Council may conduct any investigation to confirm any of the information provided by me and hereby agree to any on site visit, by any Municipal Official;
g) I accept that this application, if successful, will only be valid for 12 months from date of approval and the onus will be on me to re-apply by the expiry date;
h) I acknowledge that if my application is successful, the Council will suspend any debt collection action for 12 months from that date, or until I no longer qualify as an indigent, whichever date occurs first.

.....
Signature of Applicant **Date**

I CERTIFY THAT THE APPLICANT HAS ACKNOWLEDGED THAT HE/SHE KNOWS AND UNDERSTANDS THE CONTENTS OF THE ABOVE DECLARATION WHICH WAS SWORN TO/TRULY AFFIRMED BEFORE ME

Date - / /

COMMISSIONER OF OATH
(Official Stamp and Signature)
OFFICE RECEIVING THE APPLICATION:

	OFFICIAL'S FULL NAME (print)	**DATE**	**SIGNATURE**
All information and documentation supplied			
Please insert the Notification Number		**DATE**	

FOR OFFICE USE ONLY

	OFFICIAL'S FULL NAME (print)	**DATE**	**SIGNATURE**
All information and documentation supplied			
Recommended			

Approval by authorised official of Debt Management			
Not approved			
If not approved reasons to be supplied:			
	OFFICIAL'S FULL NAME (print)	**DATE**	**SIGNATURE**
Letter advising applicant of outcome: (Attach copy to application form)			

REASONS FOR WITHDRAWAL: **FOR OFFICIAL USE ONLY**

After approval and if withdrawn, then reasons for such withdrawal are to be supplied here:			
	OFFICIAL'S FULL NAME (print)	**DATE**	**SIGNATURE**
Recommend withdrawal			
Approval for withdrawal			
Letter advising applicant of withdrawal: (Attach copy to application form)			

uMNGENI MUNICIPALITY

LEAVE POLICY

Date of Adoption: 30 MARCH 2016
Date of Implementation: 1 July 2016

LEAVE POLICY

1. Definitions

For the purpose of this policy unless the context otherwise indicates:-

1.1**" uMngeni Municipality"** means a Municipal Council referred to in section 157 (1) of the Constitution.

1.2 **"Head of Departments"** shall mean the Managers directly accountable to the Municipal Manager in terms of Local Government Municipal Systems Act 32 Of 2000

1.3 **"Supervisor"** means a person who supervises his/her subordinates in terms of the task job evaluation system.

1.4 **"Employees"** means all persons in the Employment of the Municipality.

1.5 **"Days"** reference to days shall mean working days.

1.6 **"Family Responsibility"** means the responsibility of employees in relation to their spouse or partner, their dependant children or other members of their immediate family who need their care or support.

1.7 **"Incapacity"** means a long term or a short term or recurring physical or

psychological impairment

2. *Goal*

2.1 To ensure that the services rendered by uMngeni Municipality to the community it serves, are efficient, effective and uninterrupted.

3. *Objectives*

3.1 Ensure continuity in operational requirements of the organization while other employees are on leave.

3.2 To develop a better understanding regarding leave policy and procedure.

3.3 Ensure the development of clearly written administrative policy and procedure.

3.4 To ensure proper and accurate record keeping.

3.5 To ensure that the private and confidential information is maintained.

3.6 Ensure that leave policy respond effectively to crisis and emergency situations.

4. *Annual Leave*

An employer shall grant an employee the following annual leave within a leave cycle:

4.1 Twenty-four (24) days for a five (5) day worker, and

4.2 Twenty seven (27) days for a six (6) day worker.

4.2.1 An employee is required to take leave within each leave cycle as follows:

4.2.2 A five (5) day worker shall take a minimum of sixteen (16) days leave; and

4.2.3 A six (6) day worker shall take a minimum of nineteen (19) days leave.

4.2.4 An employee is entitled to retain a maximum of forty -eight (48) days of accrued leave.

5. *Excess Leave*

5.1 Any leave in excess of forty-eight (48) days may be encashed should the employee be unable to take such leave as a result of operational requirements. If, despite being afforded an opportunity to take leave, an employee fails, refuses or neglects to take the remaining leave due to him during this period, such remaining leave shall be forfeited.

6. *Leave Conversion*

6.1 Annual vacation leave of eight (8) days may be converted into cash at the salary rate applicable on the day of encashment.

6.2 Leave conversion shall only be applicable to permanently employed employees as opposed to contract employees who are on performance based contract.

6.3 All applications for encashment of leave must be authorized by the respective Head of Department. Employees shall be entitled to encash their leave days once per annum.

7. *Payment Procedure*

7.1 Leave encashment will be paid to employees on the anniversary which is the date of appointment.

7.2 All leave encashment will be processed through the payroll and be paid electronically into the employee's bank account at the end of the month.

8. *Accrued Leave*

8.1 An employee is entitled to retain a maximum of forty eight days of accrued leave

9. *Termination of Service*

9.1 In the event of the termination of service, an employee shall be paid his/her leave entitlement, not in excess of forty eight days which will be calculated in terms of the relevant provisions of the Basic Conditions of Employment Act of 1997.

9.2 The Municipality may not permit or require an employee to take annual leave during any period of notice of termination of employment.

10. *Procedure*

10.1 Granting of leave must first be recommended by the immediate supervisor and approved by the Head of Department.

10.2 Before the application for leave is approved by the Supervisor, enquiries should be made to the Human Resources Section as to the number of days of leave due to the employee concerned.

10.3 Employees shall apply for leave in advance so as to enable in the Departments to ensure that delivery of services is not interrupted. Example, 1 month leave be applied for 1 month in advance, 1 week be applied for in one week.

10.4 Leave of absence granted to an employee, with the exception of sick leave, may be cancelled, postponed or interrupted at any time by the Head of Department on the recommendation of the immediate supervisor of the section concerned. This should however be done only in the interests of the Municipality for service delivery to the community it serves.

10.5 If an employee's application for leave of absence is cancelled, postponed or interrupted, the reasons must be recorded and the employee must be credited with such cancelled, postponed or interrupted, on condition that should such leave credit arise from the postponement or interruption of an employees leave, it is placed to the credit of the employee on the same basis, and the period for which such leave is valid is extended by a maximum of 6 months.

10.6 An employee absent on approved leave, may not voluntarily resume duty before the full period of such leave has expired, unless he/she receives permission to do so beforehand after his/her Supervisor has submitted an application in this regard to the Head of Department. In the event of the employee being unable to apply for such leave in advance, personal contact by the employee with his/her Department preferably through his/her immediate superior, must be made within 24 hours of taking such leave.

11. *Sick Leave*

11.1 An employer shall grant an employee eighty (80) days sick leave in a three (3) year leave cycle.

11.2 An employee who exceeds his/her 80 days sick leave within a 3 year cycle will not be paid for day exceeding 80 days. After 80 days have been utilized within a 3 year leave cycle, employees will then be granted sick leave without pay (unpaid sick leave)

11.3 Should the whole or part of sick leave in a 3 year cycle not been utilized, those days do not accrue and will be forfeited

11.4 The employer shall require a medical certificate to be produced by an employee from a registered medical practitioner if more than two (2) consecutive days are taken as sick leave.

11.5 The employer is further not required to pay an employee if an employee is absent on more than two occasions during an eight-week period, and on request by the employer, does not produce a medical certificate stating that the employee's absence on account of sickness or injury.

11.6 In the event of there not being the opportunity to apply for such leave in advance, personal contact by the employee with his/her Department preferably through his/her supervisor, must be made within 12 hours of taking such leave.

12. Maternity Leave

12.1 To qualify for paid maternity leave, an employee must have served one (1) year of service with the municipality

12.2 An employee shall be entitled to receive three (3) months paid maternity leave, with no limit to the number of confinements.

12.3 An employee who has a miscarriage is entitled to maternity leave for six weeks after the miscarriage or stillbirth, whether or not the employee had commenced maternity leave at the time of the miscarriage or stillbirth.

13. Procedure

13.1 An employee may commence maternity leave after it has been recommended by approved by the Head of Department at any time from 4 weeks before the expected date of birth or;

13.2 On a date from which a medical practitioner or a midwife certifies that it is necessary for the employee's health or that of her unborn child.

13.3 No employee may work for six (6) weeks after the birth of her child, unless a medical practitioner or midwife certifies that she is fit to do so.

13.4 An employee must notify an employer in writing, unless the employee is unable to do so, of the date on which the employee intends to return to work after maternity leave.

13.5 Notification must be given at least two weeks before the employees return to work or as soon as reasonably practicable.

14. Family Responsibility Leave

14.1 Family responsibility leave applies to an employee who has been in employment with an employer for longer than four (4) months.

14.2 An employee may take family responsibility leave in respect of the whole or a part of a day.

14.3 An employer shall grant an employee during each annual leave cycle at the request of an employee, a total of five (5) days paid leave, which the employee is entitled to take, either when:

14.3.1 The employee's child is born

14.3.2 The employee's child is sick

14.3.3 The employee's spouse or life partner is sick;

14.3.4 In the event of death of:

a. The employee's spouse or life partner; or

b. The employee's parent, adoptive parent, grandchild or sibling.

14.4 Employees are required to furnish the employer with the proof of family responsibility leave, failing which the principle of no work no pay will apply. (proof to be attached to the leave form).

14.5 An employee's unused entitlement to family responsibility leaves lapses at the end of the annual leave cycle in which it accrues.

15. Procedure

15.1 The procedure that will apply in terms of family responsibility leave is as per clause 10.

16. Emergency Situations

In the event of there not being the opportunity to apply for such leave in advance, personal contact by the employee with his/her department preferably through his/her supervisor, must be made within 24 hours of taking such leave.

17. Study Leave

17.1 Study leave applies to an employee who has been in employment with an employer for longer than four months.

17.2 Employer must grant an employee study leave to undertake examination in order to acquire new skills and to improve productivity in the workplace.

17.3 Application of study leave must be supported by the time table, and failure to do so will result to the application not being approved.

17.4 Applications for special leave, up to a maximum of 15 days per leave cycle, for examinations must be accompanied by written notification by the institution concerned of the specific day on which the examination shall be written. Special leave shall be granted as follows: One day per subject as study leave plus one day for each paper that must be written provided they are not written on the same day in which case only one day will be granted. Applications for study leave must be submitted simultaneously with the application for examination leave. Study leave shall be granted in terms of the Leave Regulations.

17.5 After the examination, applicants must submit written proof of the result of the examination that has been written. If an applicant fails to do so, the days concerned will be debited against the applicant's own vacation leave or be converted into leave without pay where no vacation leave is available.

17.6 Procedure

17.6.1 Granting of study leave must first be recommended by the supervisor and approved by the Head of Department.

17.6.2 If an employee is writing for one day, one working day study leave and if two days then two days must be granted preceding the actual day of writing such examination.

17.6.3 In a case where an employee is writing on Monday, he/she must utilize week-end as study leave as there would be no day.

18 Remuneration During Study Leave

18.1 Study leave and examination dates will be regarded as paid leave.

19. Incapacity Leave

19.1 Employees who seek assistance from the Employee Assistance Programme for their medical conditions may be granted incapacity leave by the employer.

19.2 Should it happen that the employee exceeds his/her 80days sick leave but is still frail and incapable of resuming his/her duties, the process of applying for an incapacity leave will resume.

19.3 Upon recommendation by the Employee Assistance Programme Manager, the employer may grant the employee up to the maximum of ten (10) days incapacity leave in a three (3) year leave cycle;

19.4 An employee who exceeds this 10 days incapacity leave will then be granted sick leave without pay.

19.5 Should the employee fail to apply for the incapacity leave in advance and leave without pay resumes, there will be no retrospective payment.

19.6 Should the whole or part of the incapacity leave in a 3 year cycle not be utilised, those days do not accrue and will be forfeited.

19.7 If the employee has exceeded his/her sick leave, s/he will not automatically be granted the incapacity leave. The incapacity leave will only be for employees who are, either frail, bed ridden or requires hospital admission and not for doctor's visits.

19.8 The employer will require a detailed medical certificate in order to ascertain if the employee really requires to be granted incapacity leave.

20. Procedure

20.1 An employee will notify his/her supervisor about the request to apply for the incapacity leave.

20.2 The supervisor will then notify the EAP Manager who will then visit the employee either in hospital or at home where the employee is kept.

20.3 A full assessment of the situation will be made and a detailed medical certificate will be sought from all doctors attending to him/her.

20.4 The case will then in consultation with the General Manager: Corporate Services be referred to Management Committee, to decide whether to grant the incapacity leave for the particular employee.

20.5 The previous sick leave pattern of the employee will be considered when the decision is made.

20.6 The employee will then be notified about the decision taken.

21. Dispute about the Application and Interpretation of the Policy

21.1 Any dispute regarding the application and interpretation of this Policy will be dealt with in terms of South African Local Government Bargaining Council Collective Agreement contained in the Grievance Procedure.

uMngeni Municipality

ORGANISATIONAL PERFORMANCE MANAGEMENT POLICY

Date of Adoption: 30 MARCH 2016

Date of Implementation: 1 July 2016

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Glossary of terms

KPA	-	Key Performance Area
KPI	-	Key Performance Indicator
PA	-	Performance Agreements
PMS	-	Performance Management System
PDA	-	Personal Development Plan

1. Introduction

1.1 A complete institutional performance management system must incorporate a comprehensive staff performance management system. The strategic objectives of the Institution are interpreted and delivered in concrete terms by the employees of the uMngeni Municipality.

2. Scope of application

This policy is applicable to all permanent employees of uMngeni Municipality, including fixed-term contract employees.

3. Purpose

The Performance Management System (PMS) policy is aimed at:

3.1 Providing guidelines on the effective implementation and maintenance of a single and uniform performance management process within uMngeni Municipality;

3.2 Ensuring that every employee's output is optimised in terms of quality and quantity, thereby improving uMngeni Municipality's overall performance and service delivery;

3.3 Ensuring that individual employee performance is evaluated fairly and objectively;

3.4 Ensuring that categories of performance that exceed expectations are recognised, and;

3.5 Also ensuring that categories of performance that does not meet expectations are managed.

4. Policy principles

The following fundamental principles form the basis for the understanding and successful implementation and management of the process:

4.1 The performance management process shall be directly linked to the organisation's strategic plan, and therefore provide for the translation of the strategic plan into focus areas;

4.2 Although performance is the responsibility of both the manager and the employee, it shall be driven from top leadership;

4.3 Recognition for excellent performance shall be made in both non-monetary forms and monetary forms. Non-financial rewards shall be as a principle be encouraged;

4.4 Individual performance shall be evaluated in the context of job profiles/performance agreements as signed;

4.5 Performance Management shall be managed in accordance with the Labour Relations Act and the relevant collective agreements;

4.6 The organisation shall manage performance in a consultative, supportive, non-discriminatory and non-punitive manner;

4.7 Employees who do not sign performance agreements will not qualify for the performance bonus; and

4.8 In order to qualify for granting of a performance bonus, an employee must complete a continuous period of at least twelve months on his/her salary level on 31 March of every year. Employees who are already six month in a position will qualify for a pro rata bonus.

5. Legal Framework for Performance Management System

5.1 Skills Development Act, 97 of 1998
5.2 The Labour Relations Act, 66 of 1995
5.3 Employment Equity Act, 55 of 1998
5.1 Chapter 6 of the MSA 32 of 2000
5.2 Chapter 8 Section 72 of the MFMA 56 of 2003
5.3 Municipal Performance Management Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers of 2006
5.4 MFMA Circular No. 13
5.5 Framework for Managing Programme Performance Information

5.6 Treasury Regulations, 2001

6. Definitions

6.1 Performance Management and Development System (PMDS):

An authoritative framework for managing employee performance, which includes the policy framework as well as the framework relating to all aspects and elements in the performance cycle, including performance planning, and agreement, individual development planning, performance monitoring, review and control; performance evaluation and moderation; and management of the outcomes of evaluation.

6.2 Performance Management: A process of agreeing on outputs (results), Key Performance Indicators (KPI)'s and performance measures that relate to uMngeni Municipality's business objectives. This process will also include regular reviews of performance, corrective action and a final evaluation.

6.3 Performance Agreement (PA): A document agreed upon and signed by the employee and supervisor, which reflects the outputs expected, the performance standards that will apply and measures to assess/evaluate performance.

6.4 Performance Cycle: A twelve (12) month period for which performance is planned, managed and evaluated. It is aligned to the same period as **seda**'s business plan i.e. 1st April to 31st March of the following year.

6.5 Objectives: These are concise statements, which express the strategic intentions of the **seda**; shows the desired results that are planned to be achieved.

6.6 Key Performance Area (KPA) : These are the broad performance areas. They indicate what areas one should focus on in order to achieve outcomes and outputs; refers to an area of the job that is critical to making an effective contribution to the organisational goals.

6.7 Weighting: What is the importance/impact of the Key Performance Area (KPA) towards achieving the strategic objective of uMngeni Municipality.

6.8 Key Activities:

6.9 Outputs:The visible products of the effort that turn inputs into tangible results i.e. products and/or services).

6.10 Performance Standards/Measure: What is the mutually acceptable level of achievement (quality, quantity, cost, delivery on time, innovation, safety, speed, dependability) in each of the agreed outputs.

6.11 Key Performance Indicators (KPI's): These spell out in clear, measurable language what will be used to measure success for each Key Performance Area (KPA).

6.12 Target: A short term goal to be achieved.

6.13 Means of Verification (MoV): The process of verifying that the performance provided substantiates achievement against the key performance indicators and targets.

6.14 Performance Review: Regular (at least quarterly) formal discussions between supervisors and employees to monitor and report progress, to resolve problems and to adjust work plans/targets during the annual performance cycle.

6.15 Personal Development Plan: A requirement of the performance agreement whereby the important competency and other developmental needs of the employee are documented, together with the means by which these needs are to be satisfied and which includes time lines and accountabilities.

6.16 Rating: A score for the achievement of an objective or output or an attribute e.g. leadership.

6.17 Performance Bonus: Financial reward granted to an employee in recognition of sustained performance that is significantly above expectations and is rated as in terms of the rating scale. In order to qualify for granting of a performance bonus, an employee must complete a continuous period of at least twelve months on his/her salary level on 30 June of every year. Employees who are already six months in a position will qualify for a pro rata bonus.

7. Objectives of the policy

7.1 To establish a management tool which shall give direction regarding day to day Council operations in quantifiable and measurable terms;

7.2 To provide mechanisms by which employee performance shall be improved through a series of conventionally accepted remedial strategies; and

7.3 To put in place a comprehensive management procedure which shall provide a palatable route for the demotion, promotion, redeployment or even cancellation of the contract of employment of employees.

8. Application of the policy

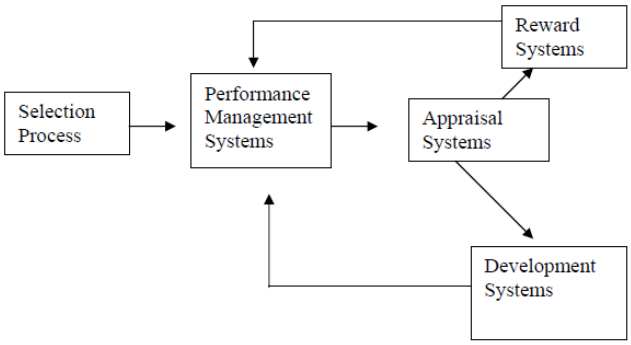
8.1 To all managers as defined in Section 57 (2) (a) of the Municipal Systems Act, No. 32 of 2000 and Municipal Performance Management Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Managers of 2006;

8.2 To all employees of uMngeni Municipality who are in full time employment; and

8.3 To all fixed term contract employees of the uMngeni Municipality.

9. Selection VIS A VIS PMS Dichotomy

9.1 The Human Resources Cycle



9.2 **The important lesson from the above chart is that the selection function in Human Resources Management is about getting the right people and performance management is about getting the people right.**

10. Key policy guidelines

10.1 The uMngeni Local Municipality scorecard shall set out uMngeni wide objectives and performance indicators of the Municipality.

10.2 The Municipal Manager shall take overall accountability for the delivery of the agreed performance indicators and shall account to the Mayor at agreed intervals.

10.3 The Municipal Manager shall, in turn delegate responsibility and accountability to the:-

10.3.1 Heads of Departments/General Managers/Strategic Manager.

10.4 Heads of Departments/Strategic Manager/General Managers shall in turn, conclude accountability agreements with their respective subordinates and the delegation process shall be cascaded down to all levels within each Department.

11. Guiding principles for setting staff performance indicators

11.1 Indicators shall be clearly focused and stated unambiguously to ensure that employees know precisely what is expected of them;

11.2 Indictors shall by definition contain a unit of measurement.
Indicators shall be valid and relevant and measure what is intended to be measured; and

11.3 Indicators shall be simple and easy to communicate to the relevant employee.

12. Performance Management Strategy

12.1 Council shall put in place systems, processes and methods of managing employee performance both at individual and at team levels.

12.2 Council's strategic goals and objectives shall be understood by all and translated into individual and group objectives and work plans. The process shall be as follows:-

12.2.1 Performance Planning;

12.2.1.1 Definition and delineation of duties and clarification of roles;

12.2.1.2 Setting of objectives and performance standards; and

12.2.1.3 Action plans for the achievement of targets and setting of dates for formal reviews.

12.2.2 Performance Monitoring and Support

12.2.2.1 Leadership.

12.2.2.2.1 Every incumbent shall be accountable to someone and the latter shall have a duty to provide leadership and direction.

12.2.2.2.2 Regular interaction, guidance and possible coaching in certain Instances are some of the important elements which shall form part of the performance monitoring and support strategy.

12.2.3 Performance Evaluation

The following principles are important:-

12.2.3.1 Leadership shall share the vision, educate and train employees on the process;

12.2.3.2 Both leadership and employees shall understand, accept and own the system to ensure its success;

12.2.3.3 Central to the success of the system is a culture that accepts positive behaviour change and the philosophy of continuous improvement;

12.2.3.4 Employees shall be quite clear about their individual or team specific objectives and standards, and about how performance shall be evaluated and achievements measured and what rewards or sanctions shall be applied;

12.2.4 Council's performance evaluation modus operandi shall have, as its main objective, reinforcement and corrective action. It shall therefore provide an opportunity for the following aspects to be considered:-

12.2.4.1 Rewards (performance related increases, incentives, recognition and promotion);

12.2.4.2 Training and development;

12.2.4.3 Motivation;

12.2.4.4 Counselling;

12.2.4.5 Coaching; and

12.2.4.6 Discipline.

And, as the way forward:-

12.2.4.7 Set new goals and targets;

12.2.4.8 Set new milestones and reviews;

12.2.4.9 Discuss incentives; and

12.2.4.10 Decide on new training and development plans.

12.2.5 Performance Contracts

12.2.5.1 Council's performance contracts shall be concluded after careful study of job profiles and clear understanding of the key responsibilities for the individual incumbent. Departmental scorecards and accountability agreements shall form the basis of the contracts. Central to the contracts shall be four (4) elements listed hereunder:-

12.2.5.1.1 Performance Planning

Based on the job description there shall be:-

12.2.5.1.1 Agreed key performance areas (KPA's);

12.2.5.1.2 Agreed key performance indicators (KPI's);

12.2.5.1.3 A description of contracted standards of performance and relative weightings; and

12.2.5.1.3 Acceptance and signing of agreed KPA's and KPI'S.

12.2.5.1.2 Performance Review

Based on the contracted standards of performance and relative weightings performance review shall entail:-

12.2.5.1.2.1 A description of the contracted standard and an agreement on actual performance;

12.2.5.1.2.2 Rating of performance and allocation of measurements, eg. points or symbols (ABC etc.);

12.2.5.1.2.3 Acceptance of evaluation and signature; and

12.2.5.1.2.4 Agreement on appropriate reward, recognition or remedial process.

12.2.5.1.3 Training and Development

Training and development needs emanating from the performance review process shall be determined;

12.2.5.1.1 Action plans aimed at re-enforcing appropriate behaviour and/or discouraging inappropriate conduct shall be discussed and agreed upon; and

12.2.5.1.2 A new agreement shall be signed.

12.2.5.1.4 Exit/Termination/Cancellation clause

There are many reasons which may give rise to termination/cancellation of the employment relationship or contract as the case may be. But for purposes of this policy Council shall classify terminations/cancellation of contracts of employment under two (2) categories namely:-

12.2.5.1.4.1 Blameworthiness of the contracted employee;

12.2.5.1.4.2 Non-blameworthiness of the contracted employee;

12.2.5.1.4.3 In the case of the former the incumbent shall forfeit the balance of his/her term of office as a penalty this aspect shall be incorporated in the contract; and

12.2.5.1.4.4 In the case of the latter the incumbent shall have his/her contracted term fully paid out to him/her as a separation package (this aspect shall be incorporated in the contract).

OVERTIME
POLICY

Date of Adoption: 30 MARCH 2016

Date of Implementation: 1 July 2016

1. Definitions

For the purpose of this policy unless the context otherwise indicates:-

1.1 **"uMngeni Municipality"** means a Municipal Council referred to in section 157 (1) of the Constitution.

1.2 ***"Heads of Departments"*** shall mean the Managers directly accountable to the Municipal Manager in terms of Local Government Municipal Systems Act 32 Of 2000

1.3 ***"Supervisor"*** means a person who supervises his/her subordinates in terms of the Task Job Evaluation System.

1.4 ***"Employees"*** means all persons in the employment of the Municipality.

1.5 ***"Overtime"*** means working outside of normal hours (8 hours) including Saturdays, Sundays and Public Holidays.

1.6 ***" Essential Services"*** means a service interruption of which endangers the life, personal safety or health of the whole or any part of the population

2. GOAL

2.1 To respond to community's urgent needs in an effective, efficient and sustainable manner.

3. OBJECTIVES

3.1 To ensure that overtime policy respond effectively to crisis and emergency situations with regard to the provision of services.
3.2 To ensure that departments do not overspend the allocation of overtime budget.
3.3 To define a clearly written procedure in performing of overtime.
3.4 To eliminate the abuse of overtime.

4. APPLICATION OF THE POLICY

4.1 This policy does not apply to:

4.1.1 Workers in senior management.
4.1.2 Workers who earn more than R 149 736 per annum.
4.1.3 Workers who work less than 24 hours in a month.

5. REGULATION OF WORKING OVERTIME HOURS

5.1 An employer may not require or permit an employee:

5.1.1 To work overtime except in a accordance with an agreement, either on a day on which an employee would ordinary work, Saturdays, Sundays or Public holidays.
5.1.2 To work more than three hours overtime a day.
5.1.3 To work more than ten hours overtime a week except the employees who perform / provide essential services e.g. electricity, water, health, environmental health, traffic, radio control, switchboard operator, cashiers, refuse removal and refuse disposal.

5.2 Employees earning more than R 149 736 per annum are required to receive paid time-off in lieu of overtime worked.

5.3 An employer must grant paid time-off within one month of the employee becoming entitled to it.

5.4 An agreement in writing may increase the period to twelve months.

5.5 An agreement concluded with an employee when the employee commences overtime lapses after one year.

6. PAY FOR OVERTIME (MONDAYS TO SATURDAYS)

6.1 An employer must pay an employee at least one and one-half times the employees wage for overtime worked.

7. PAY FOR WORK ON SUNDAYS

7.1 An employer must pay an employee who works on a Sunday a double of the employees wage for each hour worked, unless the employee ordinarily works on a Sunday, in which case the employer must pay the employee at one and one-half times the employees wage for each hour worked.

8. PAY FOR PUBLIC HOLIDAYS

8.1 An employer must pay an employee who does not work public holidays and employee who does work on the public holiday double the employees wage for each hour worked.

9. PROCEDURE

9.1 Before the employees perform overtime work, Supervisors / Section Heads must identify the need for a particular task to be performed as well as the volume of work in order to determine the number of hours, taking into account that employees do not deliberately leave the work incomplete for the sake of getting overtime.

9.2 After the identification of the need for a particular task to be performed, supervisors must fill-in a request for authority to work overtime form, indicating the name/s of employees to perform the task, nature of the job to be performed and a place.

9.3 Supervisors must make recommendation to the Section Heads/Managers for approval then to the Head of Department / General Managers for authorization.

9.4 No overtime may be worked without the express prior authorization of the Head of Department / General Managers concerned.

9.5 No claim for overtime pay may be made unless a copy of the permission or instruction authorizing that overtime to be worked accompanies it.

10. EMERGENCY

10.1 In case of emergency, filling a form in advance may be practically impossible, and Supervisors must immediately after the execution of a task/ (within 24 hours) ensure that the procedure in terms of overtime policy has been followed.

11. DETERMINATION OF EARNINGS TRESHOLD

11.1 The increase of earnings threshold will be determined by the Minister of Labour from time to time.

12. FORMULA OF CALCULATING OVERTIME.

12.1 Annual salary x 1.5 or x 2 divided by hours worked in a year = 2340=.....x hours worked =8 hours per day or 2080 x 8 hours worked depending on hours worked per day. Maximum 3 hours per day/maximum 10 hours per week.

13. FORMULA OF CALCULATING STANDBY

13.1 Annual salary divided by 250 days divided by 8.33=1..x5 which is weekly including Saturday at a rate of time and half 1.5, Sunday and public holidays at a rate of double time x2.

14 DISPUTES ABOUT THE APPICATION AND INTERPRETATION OF THIS POLICY

14.1 Any dispute in terms of this policy will be dealt with as per SALGBC Collective Agreement on Grievance Procedure.

15 IMPLEMENTATION OF THE POLICY

15.1 This policy will apply and be effective on the date to be determined and approved by the Council.

UMNGENI MUNICIPALITY

SUBSISTENCE &

TRAVEL POLICY

uMNGENI MUNICIPALITY
SUBSISTENCE AND TRAVEL POLICY
DATE OF ADOPTION: 30 MARCH 2016
DATE OF IMPLEMENTATION: 1 JULY 2016

1) INTRODUCTION

1.1 From time to time it is required from Councillors and officials to perform official functions on behalf of the Municipality.

1.2 The Municipality believes that human resources are its most valuable resource in the attainment of its goals and objectives, and that it is in the interest of the Municipality to compensate these persons representing the Municipality, for additional expenses incurred by them in the execution of their official duties.

2) DELEGATION OF POWERS

This policy should be applied with due observance of the Municipality's policy with regard to delegated powers. Such delegations refer to delegations between the Council and the Executive Committee, the Executive Committee and the Municipal Manager, and the Municipal Manager and Heads of Departments and other responsible officials.

3) PURPOSE OF THE POLICY

The purpose of this policy is to determine guidelines for Councillors and officials for the payment of travelling and subsistence allowances when performing official functions on behalf of the Municipality.

4) PRINCIPLES

A subsistence allowance will only be payable in accordance with the conditions set out below.

No subsistence allowance will be paid to delegates where the organisers of a congress, seminar, workshop, course or meeting have indicated that accommodation and meals will be provided.

A travel allowance will only be payable to those Councillors and officials who are not receiving a travel allowance as part of their total remuneration package. It should be noted that travel allowances are included in the total remuneration package of all Councillors, all Section 57 employees and contractual employees. Councillors who travel in excess of 500 kilometers per month for official duties are entitled to claim as per the Public Office Bearers Act, No. 20 of 1998. Section 57 employees are entitled to claim running costs for actual kilometers traveled for official duties at the Department of Transport rates.

5) SUBSISTENCE

A Councillor and / or Official may claim a subsistence allowance for actual expenditure in respect of attendance including accommodation and meals (where it is not provided for), Delegates travelling overseas must first obtain Councils approval and will be entitled to a subsistence allowance equal to one hundred (100) euros per day including the days of departure and return.

6) TRAVEL

Delegates to congresses, seminars, workshops, courses and meetings will be provided for the cost of air tickets of economic class return. If a flight duration is more than two (hours) delegates will be remunerated for return flights at economic class.

Delegates to congresses, seminars, workshops, courses and meetings where it is impractical or more expensive to use air transport must make use of their own transport and will then be re-imbursed per kilometer at the Department of Transport rates. All delegates will be re-imbursed for expenses incurred in respect of toll-fees and

parking as these expenses are not included in their total remuneration packages. Delegates who are not receiving a travel allowance in the total remuneration package must make use of official transport if available, provided that the Municipal Manager can authorise the use of private transport if official transport is not available at the Department of Transport rates.

7) APPROVAL OF APPLICATIONS

7.1 Councillors and the Municipal Manager

The Mayor of the Municipality must approve the applications.

7.2 Other Personnel

The Municipal Manager must approve the applications of all section 57 employees.
The relevant Head of Department must approve the applications of all employees in his / her department in consultation with the Municipal Manager and Chief Financial Officer.
Applications for visits beyond the boundaries of the Republic of South Africa must be approved by Council.

UMNGENI MUNICIPALITY

SUPPLY CHAIN

MANAGEMENT POLICY

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Date of adoption: 30 MARCH 2016

Date of Implementation: 1 July 2016

The uMngeni Municipality Council resolved 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 uMngeni Municipality.

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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 uMngeni Municipality must keep in terms of paragraph 14 of this policy;

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

(a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);

(b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and

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

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

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

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

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

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 uMngeni 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 uMngeni Municipality –

(a) procures goods or services;

(b) disposes goods no longer needed;

(c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(d) selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.

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

(a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and

(b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

3. (1) The accounting officer must –

(a) at least annually review the implementation of this Policy; and

(b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the 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 uMngeni Municipalty or to a committee which is not exclusively composed of officials of the uMngeni 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 Mr. A.J. van der Merwe; or

(ii) a bid adjudication committee of which the chief financial officer is a member.

(c) not exceeding R2 million (VAT included) may be subdelegated but only to –

(i) the chief financial officer Mr. A.J. van der Merwe and

(ii) the Director: Technical Services Mr J.E. Svensson, the Director: Community Services Mr. W Luthuli, the Director: Planning & Development Mr. S Simpson; or

(iii) 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 director; or

(iii) a bid adjudication committee of which the chief financial officer is a member; or

(b) to the chief financial officer or the director responsible for the relevant bid, in the case of an award by –

(i) a manager referred to in subparagraph (2)(c)(ii); or

(ii) a bid adjudication committee of which the chief financial officer or a director 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 –

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

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

(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 uMngeni 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 uMngeni 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 uMngeni 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 uMngeni 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) Only officers delegated the authority, by the Municipal Manager to sign purchase requisitions should be responsible for this function.

Prior to authorizing a purchase requisition, the authorized officer has to:

- Establish if there is a necessity for the item or service requested or has reached its re-order level; and
- Ensure that sufficient budgetary provision exists to cover the requisition presented.

(2) The Financial Services Manager must assign the responsibility of sourcing the supplier of the goods requested to a designated officer (Supply Chain Unit).

The selection of supplier should be subject to the following parameters:

(i) For expenditure up to R2 000, a preferred supplier on the Municipality's Suppliers Database should be selected in terms of quality and other criteria. A verbal quotation must be confirmed in written before an order number is issued.

(ii) For contracts, purchases of goods or services (from R2001 up to R30 000). Three formal written quotations must be obtained before an order number is issued. The Supply Chain Unit must evaluate the three quotations.

(iii) For contracts, purchases of goods or services greater than R30 000 to R200 000. The Supply Chain Unit must obtain three quotations via advertisement on notice boards and website. Quotations must be advertised for seven working days on website and notice board. The Supply Chain Unit must evaluate and score all quotes received on the closing date. The reason for the final quote being selected should be documented (e.g. favorable price, favorable quality, or availability);

(iv) All quotes acted upon, should be filed

(v) Discounts where applicable, should be obtained from suppliers.

(vi) For contract, purchases of goods and services, long term contracts greater than R200 000. A competitive bidding process should be followed.

(3) Purchase orders must, depending on the value of the order, be authorized by the Procurement Manager, before being placed, faxed or telephonically or otherwise confirmed with the supplier.

The limits outlined above are inclusive of VAT and are applicable to the total order and not to the individual items that make up the order;

(4) The Municipality can amend the above limits by resolution at a Council meeting to effectively adopt limits that are more relevant to their specific circumstances.

(5) Procedures for procuring assets should be in terms of the procurement Thresholds.

(6) Procedures in respect of opening the quotation box to follow the procedures for the opening of bid

(7) Only deliveries that are supported by an authorized purchase order should be accepted. Details of incomplete deliveries should be clearly recorded to ensure that the subsequent payment would cover only goods that were actually received.

(8) 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 uMngeni Municipalty 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.
  (iv) As per annexure B, whether he or she, or the legal entity represented complies with the uMngeni BBBEE strategy. Specifically in terms of reporting the BEE status of its Management, Employment equity, Skills development, Preferential procurement, or is a Qualifying Small Enterprises (QSE), or an Exempted Enterprises, as envisaged under the uMngeni municipality BBBEE strategy.

Lists of accredited prospective providers

14(1) The Accounting Officer shall;

(a) through at least national, provincial and local representative newspapers, and by any other means, if possible, and if required, invite prospective suppliers to apply for evaluation and listing as a prospective supplier. (Refer to application form Annexure A : Database Registration Form)

(b) This will be a listing of prospective suppliers, firms, professionals and offices to be used to procure requirements covering the disciplines of supply of goods and services, project management, facilitation services, development management, capacity building, architecture, quantity surveying and civil/ structural/ geotechnical/ and electrical engineering, legal practices, mechanical engineering and general technical/professional support which will be required by the uMngeni Municipality and which will contain, inter alia, the data in respect of the Head Office and Branch Office of every firm.

(c) This list should also be used effectively to promote the participation of small, medium and micro enterprises (SMME's) and broad based black empowerment in line with the requirements as detailed in annexure B – the uMngeni Municipality BBBEE. The list should be updated at least quarterly in order to accommodate especially newly established prospective suppliers.

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(d) Once the list has been compiled per commodity service, price quotations should be invited there from. The invitation of price quotations from the compiled list of prospective suppliers per commodity should be done on a rotation basis in such a manner that ongoing competition among suppliers is promoted.

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(e) Where no suitable suppliers are available from the list of prospective suppliers, quotations may be obtained from supplier listed on the Provincial Treasury Database and or other possible suppliers. If it is not possible to obtain at least three (3) quotations, the reasons should be recorded and approved by the Accounting Officer.

(f) uMngeni Municipality will maintain a database of suppliers (manual and electronic system), which will include, small and emerging business. There will be a standard list of suppliers with whom contract will be negotiated for a period up to one year.

(g) Prospective suppliers/ bidders will be required to submit relevant information for registration using Supplier Database Application Forms, available at uMngeni Municipality and on the website

(h) Among other things the database to be utilised as a mean of identifying potential SMME's for biding purposes.

(i) Based on work done, the database will be made available to all user departments. The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective services providers must be allowed to submit applications for listing at any time.

(j) The Accounting Officer must disallow the listing of any prospective provider whose name appears on the National Treasury's database or other bona fide database as a person prohibited from doing business with the public sector.

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) Municipal Manager to determine the terms on which a manager may delegate responsibility for petty cash to an official reporting to the manager;

(b) Municipal Manager to determine the maximum number of petty cash purchases or the maximum amounts per month for each manager;

(c) Municipal Manager to determine 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 uMngeni 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) and (e)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 uMngeni 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), (c) and (e)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 uMngeni Municipality;

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(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;

(e) 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;

(f) Municipal Manager to determine the 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 and the uMngeni Municipality BBBEE strategy attached in annexure B;

(c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

(d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–

(i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –

(aa) for the past three years; or

(bb) since their establishment if established during the past three years;

(ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;

(iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;

(iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

(e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

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 uMngeni 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 uMngeni 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 uMngeni Municipality taking into account the priority areas as indicated in the uMngeni Municipality BBBEE strategy attached in annexure B

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

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

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

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

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

(f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001 as well as taking into account the priority areas as indicated in the uMngeni BBBEE strategy attached in annexure B; 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 uMngeni 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 uMngeni 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 uMngeni 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 uMngeni 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 uMngeni 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 uMngeni Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

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

Appointment of consultants

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

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

(a) the value of the contract exceeds R200 000 (VAT included); or

(b) the duration period of the contract exceeds one year.

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

(a) all consultancy services provided to an organ of state in the last five years; and

(b) any similar consultancy services provided to an organ of state in the last five years.

(4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the uMngeni 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 uMngeni 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 uMngeni 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 uMngeni 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 uMngeni 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 are subject to sections 14 and 90 of the Act.

(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 accounting officer must ensure that potential risks in the supply management system are identified, considered and avoided.

(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 R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

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

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

Prohibition on awards to persons in the service of the state

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

(a) who is in the service of the state;

(b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or

(c) a person who is an advisor or consultant contracted with the uMngeni Municipality.

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

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

(a) the name of that person;

(b) the capacity in which that person is in the service of the state; and

(c) the amount of the award.

Ethical standards

46. (1) A code of ethical standards as set out in the "*National Treasury's code of conduct for supply chain management practitioners and other role players involved in supply chain management*" is hereby established for officials and other role players in the supply chain management system of the uMngeni 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) 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 uMngeni 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 uMngeni Municipality, 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 uMngeni 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

49.1 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.

49.2 The person hearing the objection must within 30 days after receipt of the written representation from the objector determine whether the objection is frivolous, vexatious or without merit.

49.3 If the person hearing the objection finds that the objection is frivolous, vexatious or without merit, he/she

a. must dismiss the objection and in writing notify the objector and any other interested party of his/her decision together with reasons for the decision; and

b. must make an appropriate order as to costs. Which may include the costs to the Municipality of having the objection heard

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 uMngeni 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 the uMngeni 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 uMngeni 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 1 July 2016.

SOCIAL/RENTAL HOUSING POLICY
2011

Date of Adoption: 30 MARCH 2016

Date of Implementation: 1 July 2016

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BACKGROUND

UMngeni Municipality's Head Quarters/Office is located in the Midlands Region of the Province of KwaZulu-Natal, in the town of Howick, twenty six (26) kilometers from Pietermaritzburg and the Highway (N3) goes through uMngeni Municipal area in a South to North direction and vis-a-vis from the Capital City of KwaZulu-Natal, the City of Choice to Gauteng.

Social Housing Development has been identified by uMngeni Municipality as the type of Housing development that the Municipality needs to embark on with an intention of addressing among other challenges, the housing backlog, a rapidly increasing rental housing demand within uMngeni Municipal area. UMngeni Municipality is currently in ownership of two blocks of flats, i.e. Allemans and Grays Court which are right in the middle of the town of Howick and are being rented out to various people. The two blocks of flats consist of forty flats comprising of one, two and three bedroomed flats.

UMngeni Municipality established its Housing Component in 2003 and the component inherited a waiting list with approximately two hundred and thirty people who were patiently waiting for someone to vacate sothat they could also get a chance of getting accommodation. This was a very hopeless situation, however, people had no choice as some of the people who were on the waiting list were working in Howick and they therefore had to get a place to rent in Howick.

There was also an inexplicable scarcity of private rental housing accommodation in Howick as a town and in the whole of uMngeni Municipal area. The situation briefly elucidated above highlights the fact that rental housing accommodation demand in uMngeni Municipal area has even increased beyond expectation thus putting a tremendous amount of pressure on the Municipality to expeditiously make the necessary arrangements and do preliminary work that has to be undertaken to address this need hence the Social Housing Policy is being developed by the Municipality as a starting point.

Three years ago the Municipality's Housing Section started to use a computer software program called '***The Housing Demand Data Base'*** to capture the particulars for all the potential housing beneficiaries within uMngeni Municipal area with an intention of continuously updating records in respect of the housing demand within the Municipal area. The data base is increasing and growing every day as not a single day passes by without new applicants bringing in their application forms requesting to be added to the housing data base. The statistics show that two among ten people visiting the housing office every day are people that need rental accommodation.

The situation has apparently been exacerbated by the fact that uMngeni Municipality is experiencing an unprecedented rapid growth in respect of tourism, residential and industrial development. UMngeni Municipality has become a favourable tourism destination for various holiday makers from within the Province of KwaZulu-Natal and the whole of South Africa as well as internationally. This again is a contributing factor to an increased demand for Social Housing within uMngeni Municipal area.

The obvious reality in the realization and the demand for Social/Rental Housing Projects within uMngeni Municipal area and in the wider urban realm, is believed to be a defendable point of departure for directing and even creating Social housing policy. The fact of the matter is that, social housing is a critical subject related to the reality of formal housing and the number of people that are to be accommodated therein which is alarmingly increasing and requiring urgent attention before it escalates further.

CHAPTER ONE

1. INTRODUCTION

1.1. Concept of Social Housing

For uMngeni Municipality, the social housing concept is not an entirely new concept. As highlighted above, uMngeni Municipality owns two blocks of rental housing accommodation in the form of flats. Nevertheless, it has been established that the rental accommodation that the Municipality has, is not sufficient to address the need for this kind of accommodation within uMngeni Municipality. The delivery of more rental housing units to accommodate the people who have been on the Municipality's rental housing waiting list will require the Municipality to consider public/private partnerships.

Public/private partnerships seem to be the only route that can fast-track the delivery of social/rental housing because neither public nor private sectors on their own are able to address, let alone resolve, the challenges and problems associated with the provision of social/rental housing.

UMngeni Municipality has identified certain restructuring zones within its area of jurisdiction as per the requirement by the Social Housing Policy, 2006. When these restructuring zones were identified, it was taken into cognizance that they also have to be close to job opportunities and various amenities that the people will require to ensure sustainability of the social housing projects to be undertaken on those zones

1.2. Policy Objectives

The objectives of this Social Housing Policy for uMngeni Municipality are as follows;

1.2.1. To address the housing backlog in the uMngeni municipal area

1.2.2. To ensure that housing beneficiaries are given a choice in respect of the housing types that will suite their life styles and requirements

1.2.3. To facilitate the development and rejuvenation of the town of Howick through social housing development

1.2.4. UMngeni Municipality also intends to facilitate the institution of a Social Housing Company that will be responsible for driving and championing social housing projects within the Municipal area through the social housing policy

1.2.5. This policy seeks to address the imbalances of the past which were a result of the promulgation of policies under the apartheid regime that granted specifically located land for racial segregation as such policies were also determining the urban landscape.

1.2.6. The acceptance of this policy by uMngeni Municipality's EXCO will enable the Municipality and other role-players in the social housing sector to work co-operatively towards improving and upgrading the municipal infrastructure in the identified restructuring zones sothat new social housing projects have easy access to services as per Chapter 2, section 5 (iii) of the Social Housing Policy,2006.

1.2.7. To ensure access to funding for social housing development is not interrupted by a lack of policy framework within the municipal structure/municipality

1.2.8. The policy is intended to create an enabling environment for the Municipality to enter into performance agreements with social housing institutions that will be responsible for the overall management of social housing stock within uMngeni Municipality

CHAPTER TWO

2. SOCIAL HOUSING ENVIRONMENT

2.1. POLICY CONTEXT

After an analysis of the Housing situation and demand undertaken by uMngeni Municipality's Housing Unit it became apparent that the Municipality's Social Housing Policy will have to be aligned to the National social Housing Policy as the objectives of these two spheres of government i.e. National and Local, in respect of social housing are similar. In accordance with the National Social Housing Policy the main objective for the promulgation of the social housing policy include inter-alia the;

Identification of restructuring zones by the Municipality, chapter 2 (3) (f) of the Social Housing Bill. After having identified the need for the construction of more rental/social housing stock within uMngeni Municipal area, uMngeni Municipality identified a number of restructuring zones to accommodate the demand referred to in this paragraph

(i) Facilitation of the institution of a Social Housing Company/institution to operate within uMngeni Municipality's area is being investigated and the Municipality through its Housing component and other relevant Departments within the Municipality are gathering data in preparation for the establishment of such a company.

2.2. **Legislation**

2.2.1. UMngeni Municipality has scrutinized almost all relevant pieces of legislation and strategic plans applicable in housing development in general and ultimately concluded that some sort of contextualized policy intervention at a Municipal level is a necessity as that will ensure proper implementation of social housing projects within uMngeni Municipal area

The relevant pieces of legislation referred to herein above include;

(i) Housing Policy, Act 107 of 1997 which vividly outlines responsibilities of various government spheres in relation to housing delivery and it also spells out the qualification criteria that is applicable across the board.

(ii) The National Social Housing Policy clarifies the general principles, roles and responsibilities for various government spheres and social housing institutions involved in social housing development in Chapter 2 (2) (3) (4) (5) and (6) respectively.

Therefore, in respect of the roles and responsibilities as well as the general principles as alluded to above in (iii) hereof, the Municipality has a responsibility to ensure the creation of an enabling environment within which social housing is to be undertaken to ensure sustainability of all social housing projects that the Municipality plans to implement in accordance with its IDP

(iii) The KwaZulu-Natal Provincial Housing Policy of 1998 highlights the commitment of the Provincial Department of Housing to render financial and other forms of support to Municipalities that want to implement projects as identified in their IDP's

(iv) UMngeni Municipality's Intergrated Development Plan has identified a number of housing development projects which have to be undertaken to a eradicate slums and provide more reliable and safe houses to its residents. Among those projects are the social/rental housing projects some of which have to be delivered before the year 2015.

(v) UMngeni Municipality's Spatial Development Framework as well as the Municipality's Land Use Management System have also been utilized by the Municipality as the correct tools for the identification of more expedient and well located pieces of land where social housing's projects sustainability can be ensured.

(vi) UMngeni Municipality's Housing Development Sector Plan clearly identifies and gives detailed information pertaining to possible, potential and active housing projects within the Municipal area. This kind of information available in the Municipal Housing Sector Plan can assist in establishing the real housing needs for the potential beneficiaries identified in each of the projects referred to herein.

(vii) The Rental Housing Act, Act 50 of 1999 defines the responsibility of all three spheres of government pertaining to the Rental/Social Housing sector to ensure that proper regulatory mechanisms are in place for compliance therewith by all role-players involved in social housing. UMngeni Municipality must therefore ensure adherence thereto by social housing companies operating within its area of jurisdiction.

(viii) The KwaZulu-Natal Provincial Housing Development Plan gives an indication of the budget allocated/required in respect of each housing development programme, e.g. Project Linked Subsidy, Individual Subsidy, Institutional Subsidy, Consolidation Subsidy, etc. for the whole province.

UMngeni Municipality has a responsibility to peruse the Provincial Housing Development Plan to ensure timeous prioritization and the alignment of all its housing projects therewith, thereby avoiding a situation where some of the projects can't acquire funding as a result of a lack of relevant information and poor planning.

The Municipal Social Housing Policy is therefore legislatively aligned to the above pieces of legislation to ensure uninterrupted housing development within uMngeni Municipality.

CHAPTER THREE

3. CURRENT SITUATION

3.1. The current social/rental housing situation within uMngeni municipal area is as follows;

(i) UMngeni Municipality has two blocks of flats i.e. Allemans Court and Grays Court. Refer to the 2nd paragraph hereof under the caption, **BACKGROUND** for information about the flats referred to herein.

(ii) The two blocks of flats are apparently not sufficient to satisfy and meet the demand for the rental housing accommodation within uMngeni Municipal area at the present moment.

(iii) The current social housing situation and the shortage of social/rental housing accommodation is compelling uMngeni Municipality to hasten the process of gathering information pertaining to the packaging of the social housing project for the initial 100 units.

(iv) The current demographical situation reveals that the population of uMngeni Municipality is standing at approximately 78 000 people and this number is rapidly increasing. The number of people requiring rental /social housing accommodation is alarmingly increasing due to an inexplicable tourism and industrial developments taking place within uMngeni Municipal area as highlighted herein earlier on.

(v) This social/rental housing policy is applicable and relevant to the current housing situation in the uMngeni municipal area and it will be subjected to changes and amendments on an ongoing basis as and when the situation changes.

(vi) UMngeni Municipality must have a Rental Housing Information office which will operate independently from the social housing company/institution as it will be dealing mostly with disagreements, misunderstanding and disputes among the SHC/I and tenants.

(vii) People from farms and rural communities next to Howick are migrating to Howick in numbers to be closer to job opportunities. The migration patterns within uMngeni Municipal area will drastically influence and consequently increase the social housing demand.

(viii) The Municipality will apparently have to be ready for this and put measures in place to deal with it timeously before the situation gets out of control.

(ix) The Municipality is currently working tirelessly to eradicate two major slum settlements which are in the two industrial nodes of Howick. The owners of the factories next to the two informal settlements are planning to extend their operations and this will apparently lead to the creation of more employment opportunities thereby increasing the number of people who will need rental housing accommodation.

(x) The current housing situation in uMngeni Municipality is unique as there are many people falling within the income group/category from

R8 000.00 to R30 000.00 who also need rental housing accommodation. This group is not accommodated in both the current National and Provincial Social Housing Policies and this poses a major problem for uMngeni Municipality as many of these people normally come to the Municipality for assistance as there is scarcity of private rental housing accommodation in Howick and in the whole of uMngeni Municipality.

(xi) UMngeni Municipality has therefore resolved to accommodate those people who need rental accommodation but cannot qualify for the government subsidy due to their income that falls outside of the income levels and categories accommodated by the current national housing subsidy system and policies

(xii) UMngeni Municipality's Housing Component shall consolidate the old rental housing waiting list which consisted of approximately five hundred (500) applicants with the current housing demand data base which has about two hundred rental/social housing applicants excluding other housing programmes under various housing subsidy mechanisms. This indicates that the total social/rental housing demand is currently standing at approximately ***700*** people still to be housed and the same number of social housing units to be constructed.

(xiii) The total low income housing backlog within UMngeni Municipality is estimated at approximately ***8 600*** housing units. This figure is again exclusive of the figure estimated under social housing. Both figures are increasing on a daily basis.

(xiv) The capturing of new applications to the municipality's housing demand data base system is an ingoing process as there are wards within the municipal area that have not yet been satisfactorily attended to in respect of the delivery of low income housing yet the need thereof has already been identified and confirmed.

UMngeni Municipality is therefore, through its computerized housing demand data base system operated and managed by the Housing Component aiming at collecting data to get at least a 98% accurate information in respect of the actual housing backlog within its area of jurisdiction

UMngeni Municipality will, within the next ten years endeavour to reach out and deliver low income housing projects to all municipal wards where the need has been identified as highlighted in (xiv) above. The availability of this information will enable uMngeni Municipality to plan and budget properly for all its housing projects.

4. **FUTURE HOUSING DEMAND**

4.1. In the previous chapter it has been indicated that there is a potential for rapid economic growth within uMngeni Municipality due to the industrial and tourism development taking place and this is going to impact on the local demographics and ultimately to the social housing demand within the municipal area.

4.2. The rate at which the local economy grows will undoubtedly result in more job opportunities being created and the number of people who will migrate to town will also increase.

4.3. It is anticipated that by the year twenty twelve (2012), the number of social housing demand will have increased by ***68,6%*** which is equivalent to approximately ***480*** people compared to the current situation.

4.4. There is a possibility for the above percentage and number to double what is being prognosticated it will be in the next five years and this will very much be influenced by local economic development trends within uMngeni municipal area during the same period.

4.5. UMngeni Municipality must therefore ensure that the current social housing demand is addressed within the next five years, i.e. between the years

2008 & 2012.

4.6. A demand for various housing development typologies within uMngeni municipal area is very high with social/rental housing topping the list followed by the gap/affordable housing market. The gap market refers to the income group between ***R3 501.00 - R12 500***. The low income housing development within uMngeni Municipal area is well on track even though there is a backlog. The backlog referred to herein in respect of low income housing development is gratifactorily dealt with as there is currently three major low income housing projects that are being packaged with one of them nearing approval stage. These projects will go a long way in addressing the backlog and in hastening a complete eradication of slums within uMngeni Municipal area.

4.7. Nevertheless, there is very little happening to address the backlog in the gap/affordable housing market. This market is unable to access government's low income housing grants and they also cannot afford to buy properties in areas where upmarket residential properties' development is undertaken as their income is less than the minimum salary required to qualify to purchase properties in such developments. Furthermore, there is a serious shortage of social/rental housing accommodation within uMngeni Municipal area where some of the people from this group could be temporarily accommodated.

4.8. Therefore, the Municipality must identify more restructuring zones in Howick itself as there are pieces of land that have been identified in the Municipality's IDP for the financial year 2007/2008, ***page 102, item 16.3*** under the topic ***" Possible Future Residential"*** , paragraph 3 which can be used to deal with the disjointed development in Howick and simultaneously deal with the densification of certain areas within the town of Howick.

4.9. Social/rental Housing development can be undertaken as part of the densification programme of the inner city of Howick.

4.10. The Municipality must also consider the affordable housing development in the area of Hilton on the pieces of land identified through the IDP planning processes, page 102, item 16.3 ***(2007/2008 IDP).***

CHAPTER FIVE

5. CONSTRAINTS ON THE WAY TO SOCIAL HOUSING

5.1. CONSTRAINTS WITHIN THE UMNGENI MUNICIPALITY AND ITS HOUSING UNIT

(i) There is no sufficient staff that have knowledge and vivid comprehension of the social housing concept within the Housing Unit and in the Municipality as a whole

(ii) Lack of capacity within the housing unit, number of staff in particular.

(iii) Delays on the timeous delivery of social housing units to address the current social housing backlog due to financial constraints within the Municipality

(iv) Compilation of the terms of reference for the establishment of uMngeni Housing Company

5.2. EXTERNAL CONSTRAINTS AFFECTING THE HOUSING UNIT

5.2.1. External constraints affecting the operation of uMngeni Municipality's Housing Compnent are as follows;

(i) Establishment of uMngeni Housing Company/Association and the procedure to be followed

(ii) Funding for the implementation of the proposed social housing project within uMngeni Municipal area.

(iii) UMngeni Municipality is a Medium Capacity Municipality and a Metro/Unicity and in accordance with the Social Housing Policy, uMngeni does not qualify for the social housing capital grant which is the most significant grant funding to implement a successful social housing project.

(iv) Necessity to capacitate the available Municipal Housing staff on various aspects of social housing vs time constraints.

(v) Unavailability of relevant skills training programmes to capacitate potential social housing employees in preparation for the operation phase on completion of the first social housing project.

(vi) Payment of salaries for the staff employed by the SHC during its infant phase.

(vii) Teething problems of the SHC that could eventually affect the tenants.

(viii) Temporary secondment of Housing personnel to the new SHC to get the ball rolling will be impossible due to the shortage of staff and the lack of relevant skills and knowledge among staff.

(ix) The funding that can be acquired from the Department of Housing (DoH) through the institutional subsidy mechanism does not even make up 40% of the total funding required to finance a green field social housing project.

There is of course a big difference if the project to be undertaken is a brown field type of social housing development as the DoH funding can almost finish such a project depending on the size of a project and the extent of the remedial work to be undertaken.

(x) Building the capacity of the social housing company after its institution is not a simple task as it requires financial stability which the newly instituted SHC might not have.

CHAPTER SIX

6. HOUSING DELIVERY GOALS

6.1. Vision

The Vision of uMngeni Municipality 's Housing Component in respect of Social and other Housing development programmes is:

Co-operatively delivering good quality housing to the people thereby ensuring happy housing consumers through participatory, educative, empowering and transparent housing delivery processes and programmes.

6.2. Mission

The mission statement that uMngeni Municipality's Housing Section has created for housing delivery programmes within the municipal area is:

UMngeni Municipality's Housing Section will strive for and ensure both qualitative and quantitative housing delivery through community inclusion during all housing projects' implementation, capacitate and empower housing consumers through housing consumer education various skills development programmes to ensure sustainable human settlements within uMngeni Municipal area.

6.2. Objectives and Goals

The objectives and goals of uMngeni Municipality's Housing Section in respect of social housing and other types of housing development are:

6.2.1. Objectives

The main housing delivery objectives for uMngeni Municipality are as follows;

(i) Encouragement of the adoption of inclusionary housing development strategy within uMngeni Municipality to ensure an acceptable standard of services for all residents of uMngeni Municipality more especially in social and in affordable housing projects.

(ii) Creation of an enabling environment for willing housing role-players to emancipatively participate in formulating strategies that will ensure speedy social housing delivery within uMngeni Municipal area.

(iii) Clear identification and reservation of land expedient for social housing development in Howick for restructuring and densification of the Howick inner city.

(iv) Devise strategies to boost evidity shown by uMngeni Municipality's small business entrepreneurs in developing their businesses to encourage various economic activities in Howick and other urban areas surrounding Howick.

(v) Provision of safe, secured and habitable social housing units to the housing consumers within uMngeni Municipal area.

(vi) Encourage cross-sectoral theme/intersectoral and inter-departmental co-operation within the Municipality and with other roleplayers outside of the Municipality i.e. at a District, Provincial and National government levels including with non-governmental organizations to ensure a holistic approach towards housing development.

6.2.2. Goals

The following goals will be instrumental in realizing the objectives set out in 6.2.1 above;

(i) UMngeni Municipality will put out an advertisement and invite proposals for the initiation of the social housing development process including but not limited to the formation of a SHC.

(ii) To package a first social housing project of ***200 units*** and secure funding for the implementation thereof through an inclusionary housing delivery system for various income categories to cross-subsidize each other within the next five years to ensure development sustainability.

(iii) To start the necessary land preparatory and land assemble processes on the identified restructuring zones in preparation for the implementation of social housing projects with immediate effect .

(iv) To align the delivery of housing with the development of other community amenities and facilities

CHAPTER SEVEN

7. HOUSING DELIVERY STRATEGY

7.1. Actions to be taken

(i) UMngeni Municipality will formally establish uMngeni Social Housing Company and ensure that it gets all the resources that it requires to function properly.

(ii) The SHC will forward funding applications to various funding organizations and financial institutions as well as to the DoH to secure development funds for the project.

(iii) The Municipality will provide the SHC with the information in respect of the existing services where social housing is to be undertaken to know what services are available and whether they will need to be upgraded.

(iv) Collect data pertaining to the available community facilities and establish if it will be necessary to build more or only rehabilitation and the upgrading of some of them will be required.

(v) Establish the proximity of such amenities to the project to ensure easy accessibility thereof by the project beneficiaries.

(vi) Investigate the possibility and feasibility of transferring the existing housing stock to the SHC and look at the possible hindrances.

(vii) UMngeni Municipality will provide land for the implementation of the proposed social housing development.

7.2. FINANCIAL IMPLICATIONS

7.2.1. For the SHC to properly manage the institution and operate successfully, the Municipality will have to financially support the SHC for at least two consecutive years for operational costs not less than R150 000.00 per annum.

7.2.2. The Municipality might also have to pay the staff working for the SHC

7.2.3. The Municipality must also assist the SHC to upgrade and install or gain access to municipal bulk infrastructure in the designated restructuring zone, and to the extent permitted under the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003), and the Local Government's Municipal Systems Act, 2000.

7.2.4. It has been highlighted earlier on in this policy that uMngeni Municipality is a Medium Capacity Municipality and will therefore encounter some difficulties to access and acquire the government social housing capital grant under the current policy arrangements as this grant is currently rendered to Metropolitan Councils as part of the roll-out strategy or pilot project.

7.2.5. Therefore this means that uMngeni municipality will have to contribute immensely towards funding the activities of the SHC to be instituted during its infant stages until this institution acquires financial stability.

CHAPTER EIGHT

8. RESPONSIBILITIES OF OTHER STAKEHOLDERS

8.1. Responsibilities of Stakeholders

As contemplated in the National Social Housing Act of 2006, the responsibilities of other stakeholders which involve among others,

8.1.1. The Social Housing Regulatory Authority,

8.1.2. National Housing Finance Corporation and

8.1.3. Financial Institutions (Banks)

8.1.1. THE SOCIAL HOUSING REGULATORY COUNCIL

The Social Housing Regulatory Authority is established in terms of Chapter 3, Section (7), (8) and (9) of the Social Housing Policy of 2006 as a juristic person. The responsibilities of the Social Housing Regulatory Authority in respect of social housing are as follows;

(i) Provision of advisory services to the Minister on new developments in the social housing sector

(ii) Render assistance in the process of the designation of restructuring zones

(iii) Facilitation and promotion of social housing programmes

(iv) Maintenance of a register of social housing companies/institutions with the prescribed details which is open for inspection by the public at the premises of the regulatory

Authority during normal business hours against payment of the prescribed fee and annually provide a copy thereof to Treasury and the Department of Housing.

8.1.2. **THE NATIONAL HOUSING FINANCE CORPORAION**

The National Housing Finance Corporation is an organization that was established in terms of the National Housing Act of 1997, Act 107 of 1997 and its responsibilities are as follows;

(i) Facilitation of the provision of access to guarantees for loan funding from financial institutions

(ii) Provision of access to loan funding

(iii) Making available to the Regulatory Authority when requested any financial information to enable it to assess the institutional health and financial sustainability of social housing institutions/companies.

(iv) Exploration and supporting of mechanisms aimed at facilitating public funding for social housing

8.1.3. **FINANCIAL INSTITUTION(S) BANKS**

The main responsibility of financial institutions pertaining to social housing is;

(I) To render financial assistance in the form of loans to various housing companies/institutions for the implementation of social housing projects.

8.2. RELATIONSHIP BETWEEN THE MUNICIPALITY AND SHC/I(s)

8.2.1. After the institution of a Social Housing Company/Institution, uMngeni municipality must establish and strengthen its relationship with the SHC/I by formally entering into a performance agreement with the SHC/I.

8.2.2. The SHC/I must deliver as per the performance agreement entered into between the two parties, i.e. the Municipality and the SHI/C.

8.2.3. The Municipality must assist the SHC/I during its inception by providing it with funds for operation.

8.2.4. The Municipality must provide the SHC/I with data collected by the Municipality prior to the institution of the SHC/I in respect of the demand for social housing and all applications captured in the Municipal Housing Demand Data Base.

8.2.5. The Social Housing Company must provide the Municipality with quarterly reports pertaining to all its activities, problems and challenges encountered during the execution of its functions.

CHAPTER NINE

9. MONTHLY RENTALS, MONITORING AND EVALUATION

9.1. Monthly Rentals

9.1.1. The monthly rentals in respect of uMngeni Municipality's employees earning between R3 501 and R19 000 00 shall be 8.5% of their monthly gross income. However, if the rental exceeds the amount(s) specified in clause/item 9.1.4. hereof, rental will then be charged as per item/clause 9.1.4 i.e. on a per bedroom basis.

9.1.2. UMngeni Municipal employees earning more than R20 000 per month shall pay a market related rental or alternatively clause 9.1.4 hereof will also be applied where necessary.

9.1.3. Members of the public not in the employ of uMngeni Municipality earning between R3 5001 and R R10 000 per month applying for rental housing accommodation shall pay 22% of their monthly gross income as their monthly rent. However, if the rental exceeds the amount(s) specified in clause/item 9.1.4. hereof, rental will then be charged as per item/clause 9.1.4 i.e. on a per bedroom basis.

9.1.4. Members of the public not employed by uMngeni Municipality earning over R10 000 per month shall pay a market related rental or will be charged rental based on the number of bed/rooms the apartment/flat has starting from a minimum amount of R1 200 for a one bedroomed flat, R1 600.00 for a two bedroomed flat and R2 000.00 for a three bedroomed apartment. The rate payable for each apartment will be determined by the level at which the apartment is, eg. Ground/1st level, 2nd level and 3rd level respectively depending on the number of levels that the block of flats has.

9.1.5. The above rates do not include water and electricity payments.

9.1.6. It must be noted that the above rates shall only apply on the existing municipal housing stock, i.e. Allemans and Greys Court.

9.1.7. In the case of social/rental housing stock still to be built, rentals to be charged therein can only be decided after gathering all information pertaining to the total costs incurred for the entire project. Various National Government policies will also have an impact on the determination of rental to be paid in the new social housing projects. The policies referred to above include;

(i) The National Housing Policy, Act 107 of 1997,

(ii) The Rental Housing Act, Act 50 of 1999 and

(iii) The Social Housing Policy of 1996

9.1.8. The Social Housing Company/Institution (SHC/I) will also play a pivotal role in working out/coming up with the formula to be utilized in calculating rentals to be charged in respect of new social housing projects.

9.2. <u>Monitoring and Evaluation</u>

9.2.1. Monitoring

(i) The Social Housing Policy itself needs to be integrated into the IDP of uMngeni Municipality immediately after it has been approved and adopted by Council.

(ii) A final confirmation of all the identified restructuring zones within uMngeni municipal area where the Municipality plans to undertake social housing projects will now have to be done as all identified social housing projects will also have to be incorporated into the Municipailty's IDP to make it easy for the Municipality to access funding from various funding sources.

(iii) UMngeni Municipality must devise specific implementation and monitoring plans to be utilized during the implementation of social housing projects and such plans must be structured in such a way that they facilitate and simplify the monitoring process for social housing projects. Putting monitoring plans in place is of utmost significance as it is the only way with which the municipality and the SHC/I can control delivery of social housing projects within its area of jurisdiction.

(iv) To ensure proper monitoring and implementation of social housing, a social housing champion must be identified within the Municipality's Housing Component or any other Department which may have officials with a vivid comprehension of the housing processes with specific emphasis and reference on social housing processes.

(v) The Housing Champion will assist to timeously identify and detect various hindrances that could interfere with the development programme and intervene before the occurance of any damage that could jeopardize the entire project's activities more especially those that could be on the critical path at that time.

(vi) A Project Steering Committee (PSC) must also be formed immediately after the approval of the first project to take the responsibility of driving that particular social housing development to ensure that the project is not derailed as a consequence of a lack of proper structures that should steer the project towards the right direction to achieve the intended goals and objectives.

(vii) Ongoing/continuous monitoring of social housing projects will be done through the On-Site Project Steering Committee's monthly meetings, quarterly project progress report to be submitted to the Municipality by the SHC/I and Annual Project reports to be submitted by the SHC/I.

9.2.2. Evaluation

9.2.2.1. The effectiveness of the Municipal Social Housing Policy and the success of social housing projects implemented within uMngeni Municipal area will be evaluated and assessed in the following manner;

(i) Information pertaining to the number of social housing units delivered in a five year period will be collected and measured against and compared to the original number of units that had to be delivered in accordance with the Municipality's housing delivery plan.

(ii) The success of the SHC/I in effectively managing the delivered social housing stock will be measured by asking the tenants questions relating to the quality of the units, the overall management of the complex by the SHC/I to the gratification of the tenants.

(iii) Half Yearly audits in respect of the payment of rentals will be undertaken to establish if all the tenants are timeously paying their rent and whether those that are in arrears have made the necessary arrangements to repay their debts.

(iv) Corrective measures and actions to be taken will be deliberated at the annual general meeting of the SHC/I and its partners in respect of the identified necessity to amend this policy or to introduce certain controls in the implementation of social housing projects to ensure sustainability of this kind of housing development.

(v) This policy will be amended as and when required to be expedient to the current housing needs of uMngeni Municipality's residents.

10. SHORT TITLE AND COMMENCEMENT

This Policy is called uMngeni Municipal Social Housing Policy of 2007 and it will be effective immediately on the date of its adoption by uMngeni Municipality's Full Council.

Date of Adoption by Council: ……

MUNICIPAL MANAGER'S SIGNATURE:……

MUNICIPAL MANAGER'S FULL NAME: DUMISANI FRANCIS VILAKAZI

CHAIRPERSON OF THE COUNCIL: SIGNATURE:…….…

CHAIRPERSON'S FULL NAME :……...

UMNGENI MUNICIPALITY

TARIFF POLICY

I N D E X

1. **DEFINITIONS**
2. **INTRODUCTION**
3. **PRINCIPLES**
4. **CALCULATION OF TARIFFS FOR MAJOR SERVICES**

5. ELECTRICITY

6. REFUSE REMOVAL

7. OTHER TARIFFS, LEVIES & CHARGES

uMNGENI
LOCAL MUNICIPALITY

TARIFFS **POLICY**

Date Approved:	30 MARCH 2016
Date Implemented:	1 July 2016

1. DEFINITIONS

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

2. INTRODUCTION

A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Systems Act, 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

The Tariffs Policy has been compiled taking into account, where applicable, the guidelines set out in Section 74.

In setting its annual tariffs the Council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

3. PRINCIPLES

Service tariffs imposed by the local municipality shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigency relief measures approved by the municipality from time to time).

The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

Tariffs for the two major services rendered by the municipality, namely:

- electricity
- refuse removal (solid waste)

shall as far as possible recover the expenses associated with the rendering of each service concerned. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the particular service used or consumed.

The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services ensure self-sustainability.

The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area.

In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in

regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

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

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

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

In the case of the directly measurable service, namely electricity, the consumption of such service shall be properly metered by the municipality, and meters shall be read, wherever circumstances reasonably permit, on a monthly basis. The charges levied on consumers shall be proportionate to the quantity of the service which they consume. In addition, the municipality shall levy monthly availability charges for the service concerned, and these charges shall be fixed for each type of property as determined in accordance with the detailed policies set out below. Generally, consumers of electricity shall therefore pay two charges: one, relatively minor, which is unrelated to the volume of consumption and is levied because of the availability of the service concerned; and another directly related to the consumption of the service in question.

In considering the costing of its electricity service, the municipality shall take due cognisance of the high capital cost of establishing and expanding such service, and of the resultant high fixed costs, as opposed to variable costs of operating the service. The municipality therefore undertakes to plan the management and expansion of the service carefully in order to ensure that both current and reasonably expected future demands are adequately catered for, and that demand levels which fluctuate significantly over shorter periods are also met. This may mean that the services operate at less than full capacity at various periods, and the costs of such surplus capacity must also be covered in the tariffs which are annually levied.

In adopting what is fundamentally a two-part tariff structure, namely a fixed availability charge coupled with a charge based on consumption, the municipality believes that it is properly attending to the demands which both future expansion and variable demand cycles and other fluctuations will make on service delivery.

It is therefore accepted that part of the municipality's tariff policy for electricity services will be to ensure that those consumers who are mainly responsible for peak demand, and therefore for the incurring by the municipality of the associated demand charges from Eskom, will have to bear the costs associated with these charges. To this end the municipality shall therefore install demand meters to measure the maximum demand of such consumers during certain periods. Such consumers shall therefore pay the relevant demand charge as well as a service charge directly related to their actual consumption of electricity during the relevant metering period.

4. CALCULATION OF TARIFFS FOR MAJOR SERVICES

In order to determine the tariffs which must be charged for the supply of the two major services, the municipality shall identify all the costs of operation of the undertakings concerned, including specifically the following:-

- Cost of bulk purchases in the case of electricity.
- Distribution costs, including distribution losses in the case of electricity.
- Depreciation and finance charges.
- Maintenance of infrastructure and other fixed assets.
- Administration and service costs, including:-

- service charges levied by other departments such as finance, human resources and legal services;
- reasonable general overheads, such as the costs associated with the office of the municipal manager;
- adequate contributions to the provisions for bad debts and obsolescence of stock;
- all other ordinary operating expenses associated with the service concerned including, in the case of the electricity service, the cost of providing street lighting in the municipal area (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).

- The intended surplus to be generated for the financial year, such surplus to be applied:-
  - as an appropriation to capital reserves; and/or
  - generally in relief of rates and general services.

The municipality shall provide the first 100kWh (one hundred) of electricity per month free of charge to consumers who are on a 20amp pre-paid meter.

5. ELECTRICITY

The various categories of electricity consumers, as set out below, shall be charged at the applicable tariffs, as approved by the council in each annual budget.

Tariff adjustments shall be effective from 1 July each year. All accounts rendered from 1 July each year shall be calculated on the applicable tariff as at 1 July irrespective of the meter reading date.

Categories of consumption and charges shall be as follows:-

- With the single exception of registered indigents, all electricity consumers shall be billed for their electricity consumption at the tariff applicable to the category in which the particular consumer falls.
- The tariff for domestic consumption of electricity shall not exceed 100% per kWh of the tariff applicable to other consumers. All other consumers, including businesses, industries and institutional consumers, shall pay the same tariff per kWh.
- All pre-paid consumers of the municipality who are registered as indigents with the municipality and are on a prepaid meter shall receive free the first 100kWh (one hundred) of electricity consumed per month.
- Domestic consumers will be limited to a 60 amp MCB to qualify for the reduced basic charge. If a higher MCB is requested these consumers will be charged the same basic charge as commercial and industrial consumers.
- All domestic electricity consumers other than registered indigents and consumers using prepaid meters per month shall additionally be billed a basic charge per meter installed.
- All commercial, industrial and other non-domestic properties shall additionally be billed a monthly basic charge per meter installed and, where applicable, a demand charge appropriate to their respective levels of consumption.
- The local municipality's departmental electricity consumption shall be charged at cost.

6. REFUSE REMOVAL

All residential properties with a maximum valuation of R 200 000 will receive free refuse removal services whilst all other residential properties will be charged a basic fee to be reviewed annually during the budget process.
All other properties will be charged a monthly fee determined annually during the budget process.
The monthly refuse removal charge will be charged against the owner's account.
All future applications must be from the owner.

7. OTHER TARIFFS, LEVIES AND CHARGES

All other tariffs shall be standardised within the municipal region.

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

All other tariffs over which the municipality has full control shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

Other tariffs shall include inter-alia the following:-

- Cemetery fees
- Housing rentals
- Library fees (e.g. membership fees, fines, lost books, lost membership cards)
- Rentals for the use of municipal premises
- Rentals for the use of municipal sports grounds
- Rentals for the lease of municipal property
- Building plan fees
- Advertising sign fees
- Plastic bag sales
- Refuse bin sales
- Cleaning of stands
- Sewerage connection fees
- Photostat copies and faxes
- Clearance certificates
- Electricity: disconnection and reconnection fees
- Electricity: new connection fees
- Penalty and other charges in terms of the Credit Control and Debt Collection Policy
- Supply of information
- Garden refuse removal
- Licence fees (drivers, learner licence and roadworthy.
- Valuation certificates
- Pound fees

UMNGENI MUNICIPALITY

FUNDING & RESERVES POLICY

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Version:	Final
Date:	30 MARCH 2016
Summary:	This document describes the Funding and Reserves Policy that will be applicable to the municipality, detailed.
Approved:	This policy was approved by the Municipal Council on 30 MARCH 2016.
Date of Implementation:	1 July 2016

FUNDING AND RESERVE POLICY

1. INTRODUCTION AND OBJECTIVE

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

2. SECTION A: FUNDING POLICY

2.1 LEGISLATIVE REQUIREMENTS

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes, and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash — funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

2.3 STATEMENT OF INTENT

The municipality will not pass a budget which is not cash — funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

2.4 CASH MANAGEMENT

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

2.5 DEBT MANAGEMENT

Debt must be managed in terms of the municipality's Debt Management Policy, together with any requirements in this policy.

2.6 FUNDING THE OPERATING BUDGET

2.6.1 INTRODUCTION

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognises the plight of the poor, and in line with national and provincial objectives, the municipality commits itself to subsidised services to the poor. This will necessitate cross subsidisation in tariffs to be calculated in the budget process.

2.6.2 GENERAL PRINCIPLE WHEN COMPILING THE OPERATING BUDGET

The following specific principles apply when compiling the budget:

a) The budget must be cash — funded, i.e. revenue and expenditure projections must be realistic and the provision for impairment of receivables must be calculated on proven recovery rates;

b) Growth parameters must be realistic and be based on historic patterns adjusted for current reliable information;

c) Tariff adjustments must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay;

d) Revenue from Government Grants and Subsides must be in accordance with the amounts promulgated in the Division of Revenue Act, proven

provincial transfers and any possible transfers to or from other municipalities.

For the purpose of the Cash flow budget any National or Provincial grants that have been re-appropriated for roll—over purposes must be excluded from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total expected expenditure from grants, inclusive of capital expenditure and VAT as per directive given in MFMA circular 48.

e) Projected revenue from services charges must be reflected as net (all billing less revenue foregone, which is free basic services, discounts and rebates).

f) Projected revenue from property rates must include all rates to be levied, but rebates and discounts must be budgeted for as either revenue foregone or a grant, as per directive in MFMA Budget Circular 51, depending on the conditions of the exemption, rebate or reduction.

For the purpose of the Cash flow Budget all rebates and discounts must be deducted from the projected revenue.

g) Only changes in fair values related to cash may be included in the cash flow budget. Changes to unamortised discount must be included in the Operating Budget but excluded in the cash flow budget.

h) Employee related costs include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an operating surplus calculated at 5% of the prior year balance of the long—term benefits, be included in the operating budget, in order to build sufficient cash for these requirements. The cash portion of the employee benefits must be accounted for in an "Employee Benefits Reserve".

i) Depreciation must be fully budgeted for in the operating budget. In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget.

j) Contributions to provisions (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that the contribution to current provisions, as well as 20% of the prior year balance of the non current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

2.7 FUNDING THE CAPITAL BUDGET

2.7.1 INTRODUCTION

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing levels of service and to improve and implement services which are neglected or non — existent.

In order to achieve this objective the municipality must annually, within financial means, budget for the replacement of redundant assets as well as new assets.

2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The capital budget can be funded by way of own contributions, grants, public contributions as well as external loans.

Own Contributions

The capital budget financed from own contributions must primarily be funded from the Capital Replacement Reserve.

Notwithstanding the above the capital budget or portions thereof may also be funded from surplus cash. The allocations of the funding sources from own contributions are determined during the budget process.

Grants (Including Public Contributions)

Grants for capital expenditure have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that unusual grant funding does not place an unreasonable burden on the residents for future maintenance costs which may be higher than their ability to pay.

It is therefore determined that the accounting officer must evaluate the long term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to Council.

It is furthermore determined that the depreciation charges on assets financed from grants and donations must not have a negative effect on tariffs charged to the users of such assets. The Accounting Officer must put such accounting measures in place to comply with this requirement, to a reasonable extent.

External Loans

The municipality may only raise loans in accordance with its Debt Management Policy.

The Accounting Officer must also put such accounting measures in place to ensure that no unspent portions of loans are utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year.

2.8 FUNDING COMPLIANCE MEASUREMENT

2.8.1 INTRODUCTION

The municipality wants to ensure that the budget or adjustments budget complies with the requirements

of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget.

These indicators include all the indicators as recommended by National Treasury as well as reconciliations according to this policy. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return, unless any negative indicators can be reasonably explained and future budget projections address the turn-around of these indicators to within acceptable levels.

2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A positive Cash and Cash Equivalents position throughout the year is crucial. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A".

2.8.3 CASH PLUS IN VESTMENTS LESS APPLICATION OF FUNDS

The overall cash position of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;
- unspent borrowings;
- vat due to SARS;
- secured investments;
- the cash portion of statutory funds such as the Housing Development Fund;
- other working capital requirements; and
- In addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

2.8.4 MONTHLY AVERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")

This indicator shows the level of risk should the municipality experience financial stress.

2.8.5 SURPLUS/DEFICIT EXCLUDING DEPRECIATION OFFSETS

It is almost certain that the operating budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a deficit.

As determined elsewhere in this policy it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges. In order to ensure a "balanced" budget but excluding such depreciation charges, the depreciation charges may be offset against the net surplus / deficit.

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE PERCENTAGE INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro economic targets, but also to ensure that revenue increases for the expected growth in the geographic area is realistically calculated.

The formula to be used is as follows:

	DESCRIPTION	PROPERTY RATES	SERVICE CHARGES	TOTAL
A	Revenue of budget year	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
C	**=Revenue increase/decrease**	**R XX**	**R XX**	**R XX**
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper limit of macro Inflation target	%	%	%
F	**=Growth in excess of inflation target**	**%**	**%**	**%**
G	Less: Expected growth %	%	%	%
H	**=Increase attributed to tariff Increase above macro inflation target**	**%**	**%**	**%**

In the event that the percentage in (h) above is greater than zero, a proper motivation must accompany the budget at submission, or the budget must be revised.

2.8.7 CASH COLLECTION % RATE

The object of the indicator is to establish whether the projected cash to be collected is realistic and complies with section 18 of the MFMA.

The collection rate for calculating the provision for impairment of receivables must be based on past and present experience. Past experience refers to the collection rates of the prior years and present experience refers to the collection rate of the current financial year as from 1 July.

It is not permissible to project a collection rate higher than the rate currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

2.8.8 DEBT IMPAIRMENT EXPENSE AS A PERCENTAGE OF BILLABLE REVENUE

This indicator provides information whether the contribution to the provision for impairment of receivables is adequate. In theory it should be equal to the

difference between 100% and the cash collection rate, but other factors such as past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

2.8.9 CAPITAL PAYMENTS AS A PERCENTAGE OF CAPITAL EXPENDITURE

This indicator provides information as to the timing for payments on capital projects and utilising allowed payment terms.

2.8.10 BORROWING AS A PERCENTAGE OF CAPITAL EXPENDITURE EXCLUDING GRANTS AND CONTRIBUTIONS)

This indicator provides information as to compliance with the MFMA in determining borrowing needs. The Accounting Officer must ensure compliance with the Municipality's Debt Management Policy.

2.8.11 GRANTS REVENUE AS A PERCENTAGE OF GRANTS AVAILABLE

The percentage should never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

2.8.12 CONSUMER DEBTORS CHANGE (CURRENT AND NON - CURRENT)

The object of the indicator is to determine whether budgeted reductions in outstanding debtors are realistic.

An unacceptable high increase in either current— or non— current debtors' balances should be investigated and acted upon.

2.8.13 REPAIRS AND MAINTENANCE EXPENDITURE LEVEL

It is of utmost importance that the municipality's Property Plant and Equipment be maintained properly, in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

As a general benchmark the maintenance budget should be between 4% and 8% of the value of assets.

2.8.14 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

2.8.15 FINANCIAL PERFORMANCE BUDGET

Although it is not a legal requirement that the financial performance budget should balance, it only makes management sense that it should balance.

A number of line-items influence the net result of the financial performance budget.

It includes capital grant revenue, depreciation charges including those where assets were funded from grants and public contributions, unamortised discounts and gains/losses on the disposal of Property Plant and Equipment. These items need to be taken into consideration in order to establish if the operating budget is realistic and credible.

2.8.16 FINANCIAL POSITION BUDGET

This indicator provides an overall view of the projected financial position over the periods of the Medium Term Expenditure framework, including movements in inventory and payables.

2.8.17 CASH FLOW BUDGET

A positive cash flow is a good indicator of a balanced budget, as well as the ability of the municipality to meet its future commitments.

The cash flow budget, however, does not include those items such as contributions to the provisions described elsewhere in this policy, the effect of depreciation charges etc, and care must be taken not to let a projected positive cash inflow lead to additional expenditure requests, without taking the requirements of those items into consideration.

3. SECTION B: RESERVES POLICY

3.1 INTRODUCTION

Fund accounting historically formed a huge part of municipal finance in the IMFO standards.

Since the municipality changed to General Recognised Accounting Practices (GRAP), fund accounting is no more allowed.

The municipality, however, recognises the importance of providing to the municipality itself, as well as its creditors, financiers, staff, and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy aims to provide for such measure of protection by creating certain reserves.

3.2 LEGAL REQUIREMENTS

There are no specific legal requirements for the creation of reserves, except for the Housing Development Fund. The GRAP Standards itself also do not provide for reserves.

However, the GRAP "Framework for the Preparation and Presentation of Financial Statements" states in paragraph 91 that such reserves may be created, but "Fund Accounting" is not allowed and any such reserves must be a "legal" reserve, i.e. created by law or Council Resolution.

3.3 TYPES OF RESERVES

Reserves can be classified into two main categories being "cash funded reserves" and "non - cash funded reserves".

3.3.1 CASH FUNDED RESERVES

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

(a) **Capital Replacement Reserve (CRR)**

The CRR is to be utilised for future capital expenditure from own funds and may not be used for maintenance- or other operating expenditure.

The CRR must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the annual financial statements.

(a) **Employee benefits reserve**

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

(c) **Non-current provisions reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non — current provisions.
The contributions to the reserve must be made in accordance with the directives set in this Funding Policy.

(d) **Valuation reserve**

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.
The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation and the Accounting Officer is hereby delegated to determine this amount annually during the compilation of the annual financial statements.

(e) **Other statutory reserves**

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

3.3.2 NON-CASH FUNDED RESERVES

It might be necessary to create non - cash funded reserves for a variety of reasons, including GRAP requirements. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required.

The Accounting Officer is hereby delegated and may also in the discretion of the Accounting Officer, create reserves for future depreciation offsetting, in the absence of a standard similar to IAS 20.

3.4 ACCOUNTING FOR RESERVES

3.4.1 REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

3.4.2 OTHER RESERVES

The accounting for all other reserves must be processed through the Statement of Financial Performance. The required transfer to or from the reserves must be processed in the Statement of Net Assets to or from the accumulated surplus.
It is a condition of GRAP and this policy that no transactions may be directly appropriated against these reserves.

4. SECTION C: REVIEW OF THE POLICY

This Funding and Reserves Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council.

Whenever the Minister of Finance or the National Treasury or the Auditor - General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council on an annual basis. Such submission must be accompanied with a full description of the reasons for the change to the policy.

APPENDIX A

RECONCILIATION OF CASH REQUIREMENTS

Cash flow from operating activities	R XX
Add: Depreciation from own funds	R XX
Add: Contribution to current provisions	R XX
Add: 20% of prior year non — current provisions balance	R XX
Add: 5% of prior year non — current employee benefits balance	R XX
Add: Contribution to Valuation reserve	R XX
Add: Unspent conditional grants	R XX
Add: Unspent public contributions	R XX
Add: Unspent borrowings	R XX
Add: VAT due to SARS	R XX
Add: Secured investments	R XX
Add: Cash portion of Statutory Reserves	R XX
Add: Working Capital Requirements	R XX
= Minimum Cash Surplus Requirements for the year	R XX

UMNGENI MUNICIPALITY

RATES POLICY
2015/16

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uMNGENI LOCAL MUNICIPALITY

RATES POLICY

Date Approved:	30 MARCH 2016
Date Implemented:	1 July 2016

1. DEFINITIONS

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

"Municipal Property Rates Act" means the Local Government : Municipal Property Rates Act, 2004 (Act No. 6 of 2004) as amended;

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

2. OBJECTIVE

In developing and adopting this rates policy, the Council has sought to give effect to the sentiments expressed in the preamble of the Municipal Property Rates Act, 2004 namely that:

- the Constitution enjoins local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;

- there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;

- revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and

- it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity

and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.

In applying its rates policy, the Council shall adhere to all the requirements of the Municipal Property Rates Act 2004, including any regulations promulgated in terms of that Act.

3. IMPOSITION OF RATES

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

The Council pledges itself to limit as far as possible each annual increase over the period preceding the financial year to which the increase relates. The Council shall, in imposing the rate for each financial year, take proper cognisance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership.

4. REBATES ON RATES

In imposing the rate in the rand for each annual operating budget component, the Council shall grant the following rebates to the categories of properties and categories of owners indicated below, but the Council reserves the right to amend these rebates if the circumstances of a particular annual budget so dictate.

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

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

a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as provided for in its rates policy and granted in terms of section 15 of the Municipal Property Rates Act, 2004; or the owners of properties on an individual basis.

In determining whether a property forms part of a particular category indicated below, the municipality shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically

included in any of the categories indicated below, the permitted use of the property shall determine into which category it falls.

Category of Property	Description	Category Rebate	Additional Rebate
1	Residential	30%	
2	Industrial	0%	On application per the Municipal Incentive Scheme, BBBEE status
3	Business & Commercial	0%	On application per the Municipal Incentive Scheme, BBBEE status
4	Rural - Agriculture	82.5%	
5	Rural - Commercial	30%	On application per the Municipal Incentive Scheme, BBBEE status
6	Rural Residential – Residential	30%	20%
7	State Owned Properties	30%	
8	Municipal Properties	100%	
9	PSI– per MPRA amendment phase out	0%	
10	Informal Settlements	30%	
11	Mining & Quarries	20%	
12	Vacant Land	0%	

13	Protected Areas	100%	
14	Multi-Purpose	0%	
15	Public Benefit Organization (PBO)	82.5%	
16	Place of worship	100%	
17	Education	82.5%	
18	Bulk Development Land	40 %	

CATEGORY OF PROPERTY AND USED CODES							
Property Use	Default Prop Cat	Prop Use Code	Current Randage	Proposed Tariffs (1 July 2016)	Capital Exemption	Primary Rebate	Additional Rebate
Category 1: Residential							
Single family	Residential	A01	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Two family	Residential	A02	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Residential & Business(mostly residential-51% and more residential)	Residential	A04	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Block of flats	Residential	D01	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Retirement Village	Residential	D04	1.27c/R	1.35c/R	R 100,000.00	30%	20%
Old age home/Nursing home	Residential	D07	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Terraced/Mult dwelling (3+units)	Residential	D08	1.27c/R	1.35c/R	R 100,000.00	30%	0%
ST Parent Property	Residential	E00	1.27c/R	1.35c/R	R 100,000.00	30%	0%
ST-Dwellings	Residential	E01	1.27c/R	1.35c/R	R 100,000.00	30%	0%
ST-Flats	Residential	E02	1.27c/R	1.35c/R	R 100,000.00	30%	0%
SB-Dwellings	Residential	E07	1.27c/R	1.35c/R	R 100,000.00	30%	0%
SB-Flats	Residential	E08	1.27c/R	1.35c/R	R 100,000.00	30%	0%
ST-Residential Garage	Residential	E13	1.27c/R	1.35c/R	R 100,000.00	30%	0%
ST-Residential Granny Flat	Residential	E15	1.27c/R	1.35c/R	R 100,000.00	30%	0%
ST-Residential Storage	Residential	E16	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Investigate	Residential	L01	1.27c/R	1.35c/R	R 100,000.00	30%	0%
Invalid Entry	Residential	L02	1.27c/R	1.35c/R	R 100,000.00	30%	0%
In addition to the above:							
if the customer is pensioner , further 30 % rebates will be granted by linking it to Discount catergory							
If the customer is disable, further 30% rebates will be granted by linking it to discount catergory							
if the customer is indigent, further 70% rebates will be granted by linking it to a discount catergory							
Old age Home / nursing home with a usage Code of D07 should have a further rebate of 70 %							
Category 2: Industrial							
Container storage	Industrial	C02	1.27c/R	1.35c/R	R -	0%	0%
Heavy industrial	Industrial	C03	1.27c/R	1.35c/R	R -	0%	0%
Light Industrial	Industrial	C05	1.27c/R	1.35c/R	R -	0%	0%
Storage	Industrial	C06	1.27c/R	1.35c/R	R -	0%	0%
Warehouse	Industrial	C10	1.27c/R	1.35c/R	R -	0%	0%
Workshop	Industrial	C11	1.27c/R	1.35c/R	R -	0%	0%
ST-Industrial	Industrial	E04	1.27c/R	1.35c/R	R -	0%	0%
Special discount /rebate for new industrial development							
with a sliding scale of 100%, 75%, 25%, 0% over four years for industrial incentives							

CATEGORY OF PROPERTY AND USED CODES							
Property Use	**Default Prop Cat**	**Prop Use Code**	**Randage**	**Proposed Tariffs (1 July 2016)**	**Capital Exemption**	**Primary Rebate**	**Additional Rebate**
Category 3: Business and Commercial							
Bank	Business and commercial	B01	1.27c/R	1.35c/R	R -	0%	0%
Bar/Lounge	Business and commercial	B02	1.27c/R	1.35c/R	R -	0%	0%
Car sales/Showroom	Business and commercial	B03	1.27c/R	1.35c/R	R -	0%	0%
Car wash	Business and commercial	B04	1.27c/R	1.35c/R	R -	0%	0%
Club (sports club)	Business and commercial	B05	1.27c/R	1.35c/R	R -	0%	0%
Commecial & Residential (mostly commercial)	Business and commercial	B06	1.27c/R	1.35c/R	R -	0%	0%
Convenience store	Business and commercial	B07	1.27c/R	1.35c/R	R -	0%	0%
Creche	Business and commercial	B08	1.27c/R	1.35c/R	R -	0%	0%
Funeral parlour/Undertaker	Business and commercial	B12	1.27c/R	1.35c/R	R -	0%	0%
Health club	Business and commercial	B13	1.27c/R	1.35c/R	R -	0%	0%
Hotel	Business and commercial	B14	1.27c/R	1.35c/R	R -	0%	0%
Medical centre (Office)	Business and commercial	B15	1.27c/R	1.35c/R	R -	0%	0%
Medical clinic	Business and commercial	B16	1.27c/R	1.35c/R	R -	0%	0%
Office	Business and commercial	B17	1.27c/R	1.35c/R	R -	0%	0%
Office-dwelling conversion	Business and commercial	B18	1.27c/R	1.35c/R	R -	0%	0%
Office and retail	Business and commercial	B19	1.27c/R	1.35c/R	R -	0%	0%
Petrol station/Convenience store	Business and commercial	B21	1.27c/R	1.35c/R	R -	0%	0%
Restaurant	Business and commercial	B22	1.27c/R	1.35c/R	R -	0%	0%
Retail-dwelling convertion	Business and commercial	B23	1.27c/R	1.35c/R	R -	0%	0%
Retail shop	Business and commercial	B24	1.27c/R	1.35c/R	R -	0%	0%
Shopping centre-neighbourhood	Business and commercial	B25	1.27c/R	1.35c/R	R -	0%	0%
Shoppng centre- regional	Business and commercial	B26	1.27c/R	1.35c/R	R -	0%	0%
Supermarket	Business and commercial	B28	1.27c/R	1.35c/R	R -	0%	0%
Light Industrial	Business and commercial	B37	1.27c/R	1.35c/R	R -	0%	0%
Private Educational Facilities (not PBO)	Business and commercial	B38	1.27c/R	1.35c/R	R -	0%	0%
Special discount /rebate for new business and commercial development							
in terms of Municipal Incentive Scheme							
Guest House / B & B	Business and commercial	D05	1.27c/R	1.35c/R	R -	0%	0%
ST Offices and/or Retail	Business and commercial	E06	1.27c/R	1.35c/R	R -	0%	0%
ST Hotel	Business and commercial	E21	1.27c/R	1.35c/R	R -	0%	0%
Special discount /rebate for new business and commercial development							
in terms of Municipal Incentive Scheme							
Exhibition / Conference Centre	Business and commercial	F02	1.27c/R	1.35c/R	R -	0%	0%
Private Hospital	Business and commercial	F03	1.27c/R	1.35c/R	R -	0%	0%
Private Medical Clinic	Business and commercial	F05	1.27c/R	1.35c/R	R -	0%	0%
Public Buildings (Library / Musuem / Courts etc)	Business and commercial	F09	1.27c/R	1.35c/R	R -	0%	0%
Golf Course	Business and commercial	H05	1.27c/R	1.35c/R	R -	0%	0%
Police / Fire / Ambulance / Traffic Control	Business and commercial	H07	1.27c/R	1.35c/R	R -	30%	0%
Sports / Country Club	Business and commercial	H09	1.27c/R	1.35c/R	R -	0%	0%
Stadium / Sports Facility	Business and commercial	H10	1.27c/R	1.35c/R	R -	0%	0%

Category 4: Rural Agricultural							
Rural-Agriculture	Rural-Agriculture	G02	1.27c/R	1.35c/R	R -	82.5%	0%
An agricultural property owner who qaulifies as a persioner will receive a							
Category 5: Rural - Commercial							
Rural: Comm/Ind/Bus	Rural-Commercial	G03	1.27c/R	1.35c/R	R -	30%	0%
Category 6: Rural - Residential							
Rural Residential - Vacant Land	Rural Residential	G04	1.27c/R	1.35c/R			20%
Rural-Residential - Residential	Rural Residential	G06	1.27c/R	1.35c/R	R 100,000.00	30%	20%
Rural Residential - Smallholding	Rural-Residential	G10	1.27c/R	1.35c/R	R -	82.5%	0%

CATEGORY OF PROPERTY AND USED CODES

Property Use	Default Prop Cat	Prop Use Code	Randage	Proposed Tariffs (1 July 2016)	Capital Exemption	Primary Rebate	Additional Rebate
Category 7: State Owned Properties							
Electrical Power Line Corridors	State Owned	I07	1.27c/R	1.35c/R	R -	30%	0%
Transmission element (substation)	State Owned	I08	1.27c/R	1.35c/R	R -	30%	0%
Water pipeline corridors	State Owned	I09	1.27c/R	1.35c/R	R -	30%	0%
Electrical Power stations	State Owned	I10	1.27c/R	1.35c/R	R -	30%	0%
Telecommunication other property	State Owned	I12	1.27c/R	1.35c/R	R -	30%	0%
Gas/Liquid fuel Corridor	State Owned	I13	1.27c/R	1.35c/R	R -	30%	0%
Water reservoirs/treatment works/Pump House	State Owned	I15	1.27c/R	1.35c/R	R -	30%	0%
Dam	State Owned	I16	1.27c/R	1.35c/R	R -	30%	0%
National Monument	National Monuments	F13	1.27c/R	1.35c/R	R -	100%	0%
Category 8: Municipal Properties							
Bus/Tax terminal	Municipal Properties	H03	1.27c/R	1.35c/R	R -	100%	0%
Cemetery	Municipal Properties	H04	1.27c/R	1.35c/R	R -	100%	0%
Sewerage/Water treatment	Municipal Properties	H08	1.27c/R	1.35c/R	R -	100%	0%
Public Buldings(Office,Library,Museum,courts etc)	Municipal Properties	K01	1.27c/R	1.35c/R	R -	100%	0%
Municipal Depot	Municipal Properties	K02	1.27c/R	1.35c/R	R -	100%	0%
Residential Land	Municipal Properties	K03	1.27c/R	1.35c/R	R -	100%	0%
Other Land	Municipal Properties	K04	1.27c/R	1.35c/R	R -	100%	0%
Parks	Municipal Properties	K05	1.27c/R	1.35c/R	R -	100%	0%
Roads other property	Municipal Properties	K06	1.27c/R	1.35c/R	R -	100%	0%
Roads	Municipal Properties	K07	1.27c/R	1.35c/R	R -	100%	0%
Category 9: PSI							
Airport element	PSI	I01	1.27c/R	1.35c/R	R -	0%	0%
Harbour element	PSI	I02	1.27c/R	1.35c/R	R -	0%	0%
National Roads Corridor	PSI	I03	1.27c/R	1.35c/R	R -	0%	0%
Provincial Road Corridor	PSI	I04	1.27c/R	1.35c/R	R -	0%	0%
Railway Corridors	PSI	I05	1.27c/R	1.35c/R	R -	0%	0%
Railway other property (transnet)	PSI	I06	1.27c/R	1.35c/R	R -	0%	0%
Category 10: Informal Settlements							
Informal Settlements	Informal Settlements	J11	1.27c/R	1.35c/R	R -	30%	0%
Category 11: Mining and Quarries							
Quarries	Mining and Quarries	H11	1.27c/R	1.35c/R	R -	20%	0%
Catorgory 12: Vacant land							
Private road	Vacant Land	J03	1.27c/R	1.35c/R	R -	0%	0%
Vacant commecial land	Vacant Land	J06	1.27c/R	1.35c/R	R -	0%	0%
Vacant Industrial land	Vacant Land	J07	1.27c/R	1.35c/R	R -	0%	0%
Vacant residential land	Vacant Land	J08	1.27c/R	1.35c/R	R -	0%	0%
Catergory 13: Protected areas							
Proctected Areas/Wild life reserve	Protected Areas	H13	1.27c/R	1.35c/R	R -	100%	0%
Nature reserve	Protected Areas	J01	1.27c/R	1.35c/R	R -	100%	0%
Private open space	Protected Areas	J02	1.27c/R	1.35c/R	R -	100%	0%
Public open space	Protected Areas	J04	1.27c/R	1.35c/R	R -	100%	0%
Public Park	Protected Areas	J05	1.27c/R	1.35c/R	R -	100%	0%

CATEGORY OF PROPERTY AND USED CODES

Property Use	Default Prop Cat	Prop Use Code	Randage	Proposed Tariffs (1 July 2016)	Capital Exemption	Primary Rebate	Additional Rebate
Category 14: Multi Purpose							
	Multi Purpose	L04	1.27c/R	1.35c/R	R -	0%	0%
Catergory 15: Public Benefit Organisation							
NPO/PBO Activity	Public Benefit Organisation	L03	1.27c/R	1.35c/R	R -	82.5%	0%
Category 16: Place of Worship							
Worship Centre	Worship	F12	1.27c/R	1.35c/R	R -	100%	0%
Category 17: Education							
College / University / Technikon (Tertiary)	Education	F01	1.27c/R	1.35c/R	R -	82.5%	0%
Private Schools	Education	F10	1.27c/R	1.35c/R	R -	82.5%	0%
Public Schools	Education	F11	1.27c/R	1.35c/R	R -	82.5%	0%
Category 18: Bulk Development Land							
	Bulk Development Land	L05	1.27c/R	1.35c/R	R -	40.0%	0%
Various Categories: Common Property							
Common Property	Residential	C14	1.27c/R	1.35c/R	R -	0%	0%

Notes on Categories and Definitions - Differential Rates

In terms of Section 8(1) of the Municipal Property Rates Act 6 of 2004, a Municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, which may include categories determined according to the:-

(a) use of the property
(b) permitted use of the property, or
(c) geographical area in which the property is situated

Categories

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

1. Residential

Residential properties are improved properties located within a formal township (within the municipal town planning scheme) or Sectional Title Scheme, within an established urban area. Its primary use is to provide residential accommodation and is improved with dwellings. They are therefore categorised in terms of Section 8(2) (a) of the Municipal Property Rates Act 6 of 2004.

2. Industrial

Industrial properties are properties located within a formal township (within the municipal town planning scheme) or Sectional Title Scheme, within an established urban area, and they are improved with buildings suitable for manufacturing, warehousing, workshops, etc. They are therefore categorised in terms of Section 8(2) (b) of the Municipal Property Rates Act 6 of 2004.

3. Business and Commercial

Business and Commercial properties are properties located within a formal township (within the municipal town planning scheme) or Sectional Title Scheme, within an established urban area, and they are improved with buildings suitable for conducting a business and / or commercial enterprise such as retail shops, offices, and garages. They are therefore categorised in terms of Section 8(2) (c) of the Municipal Property Rates Act 6 of 2004.

4. Rural-Agricultural

Rural-Agricultural properties are agricultural land properties located in a rural location outside of a formal township (and or outside of the municipal urban town planning scheme), zoned for agricultural use and or the bona fide dominant use is that of farming relative to the agricultural carrying capacity of the property. Properties where limited farming is taking place relative to the properties agricultural carrying capacity and where the property's dominant and most likely use is that of a residence, business, hospitality establishment or lifestyle property may not included under this category. These properties, due to their location, are not provided with municipal services/infrastructure. It should further be noted that the Act stipulates that properties used for eco-tourism or for the trading in or hunting of game

are not to be categorised as agriculture. They are therefore categorised in terms of Section 8(2) (d) (i) of the Municipal Property Rates Act 6 of 2004. Documentary proof of registration as a farming entity with SARS may be called for to qualify for inclusion in this category. Reference to agricultural land is made below.

"agricultural land" means any land which is or may be used for the production of biomass that provides food, fodder, fibre, fuel, timber and other biotic material for human use, either directly or through animal husbandry including aquaculture and inland and coastal fisheries or any other agricultural purpose, excluding land which the Minister, after consultation with other relevant Ministers and MEC's concerned, excludes by means of a notice in the Gazette.

5. Rural-Commercial

Rural-Commercial properties are properties located outside of a formal township/urban area (outside of the municipal urban town planning scheme) and are improved with buildings suitable for conducting a business and / or commercial enterprise (excluding agricultural and / or farming enterprises) such as retail shops and offices, restaurants, hotels, garages and hospitality and tourism related businesses including, but not limited to, Midlands Meander type businesses etc. These properties, due to their location, are generally not provided with municipal services/infrastructure.

6. Rural-Residential

Rural-Residential properties are divided into three distinct land use groups:

1. Rural Residential – Residential (Use Code G06), are properties made up of Freehold or Sectional Title Properties located generally outside of, but may fall within a municipal town planning scheme, (e.g the village of Nottingham Road), improved with dwellings and primarily used for residential purposes and would include properties within approved rural residential development estates and which are administered by a recognised Homeowners Association. These properties, due to their location, are currently not provided with any/limited municipal services/infrastructure on the estate and or property and within the immediate surrounding precinct.

2. Rural Residential – Smallholdings (Use Code G10), are properties which fall outside of the municipalities urban LUMS and have a secondary use of small scale agricultural activities. These properties, due to their location, are currently not provided with any municipal services/infrastructure.

3. Rural Residential – Vacant Land (Use Code G04), are properties located generally outside of, but may fall within a municipal town planning scheme, (e.g the village of Nottingham Road), vacant/unimproved and would include properties within approved rural residential development estates and which are administered by a recognised Homeowners Association. These properties, due to their location, are currently not provided with any/limited municipal services/infrastructure on the estate and or property and within the immediate surrounding precinct.

7. State Owned

State owned properties are properties registered in the name of the state and are used for a variety of purposes, including but not limited to police stations, magistrates courts, water reservoirs, water treatment plants, power stations, pipelines, communication systems etc. They are therefore categorised in terms of Section 8(2) (f) (ii) of the Municipal Property Rates Act 6 of 2004.

8. Municipal

Municipal owned properties are properties registered in the name of a local municipality and are used for a variety of purposes, including but not limited to clinics, offices, vacant land, etc. Municipal properties shall include properties owned by municipal entities. They are therefore categorised in terms of Section 8(2) (h) of the Municipal Property Rates Act 6 of 2004.

9. Public Service Infrastructure

Public Service Infrastructure (PSI) means publicly controlled infrastructure such as roads, railway lines etc. PSI properties are divided into "Linear PSI" and "Individual PSI" properties.

Linear PSI properties include road, railway lines, power lines and pipelines. These are fictitious properties created along the length of the services, and with standard widths according to typical specifications for each type of service. Where they overlap a longitudinal PSI subdivision created for a linear servitude, they surface / override the longitudinal PSI servitude. Individual PSI properties comprise "regular" subdivisions for sub-stations, pump stations, utility buildings, etc. They are therefore categorised in terms of Section 8(2) (i) of the Municipal Property Rates Act 6 of 2004

10. Informal Settlements

Informal Settlement properties are residential properties improved with informal structures such as wattle and daub shacks or other rudimentary shelters. These properties are generally not provided with municipal services/infrastructure. They are generally located on a separate residential sub-division. They can be located either on formal township properties or farm properties.

11. Mining and Quarries

Mining and Quarry properties are primarily used for the extraction of stone.

12. Vacant Land

Comprising vacant sites that may be developed for residential, commercial or industrial purposes, but excludes bulk development sites on which substantial sectional title developments and townships are to be established.

13. Protected Areas

These properties are within an area that is or has been listed in the register referred to in Section 10 of the Protected Areas Act (National Environmental Management: Protected Areas Act), such as nature reserves. They are therefore categorised in terms of Section 8(2) (p) of the Municipal Property Rates Act 6 of 2004.

14. Multiple Purpose

Multiple Purpose properties are properties that are used for more than one purpose. However, in determining whether a property forms part of this particular category, the municipality shall have regard to the dominant use to which the property is put.

15. Public Benefit Organisations

These properties are owned by public benefit organisations and used for any specific public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act. They may education and development, health care, welfare and humanitarian clinics. They are therefore categorised in terms of Section 8(2)(q) of the Municipal Property Rates Act 6 of 2004.

16. Place of Worship

Place of worship is 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.

17. Education

The Education category is for properties used for educational purposes which may include both, public and private schools, pre-schools and tertiary education facilities.

18. Bulk Development Land

Bulk Development Land is land that either has development rights for future development or which may be the remaining development opportunities of a development in the process of being constructed. Categories and definitions noted above will be taken into consideration when determining which

properties fall within this category (e.g developments in rural areas of the municipality)

Note on Dominant use

Dominant use is the most likely use of the property and for which the property can be utilised for in terms of its current zoning and or any other permit, licence or development approval status that may be attached to the property, by the municipality or other relevant authority.

Municipal Incentive Scheme

Business, Commercial and Industrial Properties can also apply for special rebates in terms of uMngeni Municipality's Incentive Scheme (Guiding principles of this Scheme and what additional rebates / and or capital exemptions can be applied for – all needs to be documented). Furthermore companies that comply with BBBEE Codes and can submit proof of employment equity can apply for a special rebate which will be considered on an individual basis. Companies who can submit evidence of job creation will also be considered for a special rebate on merit (Guiding principles of what special rebates can be offered by the UM needs to be drafted.

Land Transformation

Properties in respect of land which is applied to the implementation of the land reform programme and landowners which can demonstrate their agricultural BEE or empowerment partnerships can apply for exemption from the payment of rates and Council will consider these applications on an individual basis.

Additional Rebates

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

Individual property owners who are both the permanent occupants and the sole owners of the property concerned and who are registered indigents in terms of the municipality's indigent policy:
Additional 70%

Individual property owners who are over 60 years of age, who are both the permanent occupants and sole owner/owners of the property concerned, and whose aggregate household income does not exceed R10500.00 per month (which should be proved to the satisfaction of the Chief Financial Officer):
Additional 30%

Individual property owners who are disabled and the permanent occupants and sole owners of the property concerned, and whose aggregate household income does not exceed R10500.00 per month (which should be proved to the satisfaction of the Chief Financial Officer):
Additional 30%

Owners of a Sectional Titles Act Zoned (Town Planning Scheme) Retirement Village unit with Older Persons Act registered Care Services compliant with the Housing Development Schemes for Retired Persons Act, with the Category of Property Code "1" and Use Code "D04" as reflected in the General Valuation Roll.
Additional 20%

Old Age Homes/Nursing Home with the Category of Property Code "1" and the Use Code "D07" as reflected in the General Valuation Roll:
Additional 70%

Agricultural property owners who qualify as a pensioner as above
Additional 10%

When a property is occupied by families led by children and that is certified by the General Manager: Community Services as such
100% Rates Exemption.

If a residential property is not used exclusively for residential purposes although categorized as such (1), i.e. Bed & Breakfast, such property is not entitled to any exemptions and/or rebates applicable to that category, however application can be made for special rebates in terms of the uMngeni Municipality Incentive Scheme

The Council grants the above rebates in recognition of the following factors:

The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods or services which they produce.

The need to accommodate indigents and less affluent pensioners.

The services provided to the community by public service organizations.

The value of agricultural activities to the local economy coupled with the limited municipal services and infrastructure extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.

The need to preserve the cultural heritage of the local community.

The need to encourage the expansion of public service infrastructure.

The Municipal Manager shall ensure that the revenues forgone in respect of the foregoing rebates are appropriately disclosed in each annual operating budget component and in the annual financial statements and annual report, and that such

rebates are also clearly indicated on the rates accounts submitted to each property owner.

5. DEFERMENT OF RATES

The following special circumstances qualify persons to apply for deferment of the payment of rates in terms of section 26(3) of the Municipal Property Rates Act:-

- property owners who are over sixty (60) years of age; or
- property owners who are not over sixty (60) years of age, but have retired from employment by reason of illness or disability certified by a medical practitioner, and are in necessitous circumstances.

Such deferment may either be indefinitely, or for such period as the Municipality may decide.

Such deferment may be for the whole or any portion of such rates; provided that the total amount of all rates so deferred, together with accumulated interest thereon, shall not at any time exceed twenty percent (20%) of the value of the property concerned, as shown in the valuation roll.

Interest

The accumulated amount of the deferred rates shall bear interest compounded monthly at a rate determined from time to time and the Council may also approve the waiver of such interest.

Liability

Should the total amount of the rates deferred together with interest thereon exceed twenty percent (20%) of the value of the property as shown in the valuation roll, any such excess shall become due and payable and shall be deemed to be rates due.

Termination

Any deferment granted shall terminate:-

- upon the death of the registered owner; provided that the Council may continue such deferment, in any case where it is established that the property concerned has been inherited by the surviving spouse and that such spouse is continuing in occupation of the property;
- upon expropriation, sale or other disposal of the property;
- upon the owner ceasing to reside permanently on the property;

- if the owner fails by the final date for the payment thereof, to pay rates or any part thereof owing in respect of the property, after allowing for the amount of the deferment;

- on expiry of the period of deferment

Application for deferment

Should an applicant wish to apply for a rebate/deferment of rates, he/she may apply before the 31st of July in any year.

6. FREQUENCY OF VALUATIONS

The municipality shall prepare a new valuation roll every 4 (four) years and supplementary valuation rolls twice a year in around July and December.

7. LEGAL REQUIREMENTS

This policy is subject to the requirements of the Municipal Property Rates Act, 2004 and the Municipal Systems Act, 2000.

8. COMMUNITY PARTICIPATION

Before a municipality adopts its rates policy, the municipality must follow the process of community participation envisaged in Chapter 4 of the Municipal Systems Act, 2000; and comply with the following requirements, as set out below.

The Municipal Manager of the municipality must:

- conspicuously display the draft rates policy for a period of at least 30 (thirty) days at the municipality's head and satellite offices and libraries, and, if the municipality has an official website or a website available to it, on that website as well; and

- advertise in the media a notice stating that a draft rates policy has been prepared for submission to the Council, and that such policy is available at the various municipal offices for public inspection, and (where applicable) is also available on the relevant website; and inviting the local community to submit comments and representations to the municipality within a period specified in the notice, but which period shall not be less than 30 (thirty) days.

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

9. ANNUAL REVIEW OF RATES POLICY (SECTION 5 OF THE MPRA ACT)

The Council must annually review, and – if needed – amend its rates policy. Any amendments to the rates policy must accompany the municipality's annual budget when it is tabled in the Council in terms of the Municipal Finance Management Act, 56 of 2003.

10. AMOUNT DUE FOR RATES (SECTION 11 OF THE MPA ACT)

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

- on the market value on the property;
- in the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value;
- in the case of property to which Section 17(1)(h) applies, i.e. on the first R100 000 of the market value of property assigned to a category determined for:
  - residential purposes; or
  - Properties used for multiple purposes, provided one or more components of the property are used for residential purposes.

(It is noted that the market value of a property is determined as of 1 July 2014 for the 2015-2019 valuation roll)

Council reserves the right to grant property owners a further exemption on the market value of their properties over and above the amount as stated as impermissible in section 17(1)(h) which will be determined annually during the budget process.

11. PROMULGATION OF RESOLUTIONS LEVYING RATES

A rate is levied by a municipality by a resolution passed by the Council with asupporting vote of a majority of its members. The resolution levying the rates must be promulgated by publishing the resolution in the Provincial Gazette. Whenever a municipality passes a resolution to levy rates, the Municipal Manager must, without delay, conspicuously display the resolution for a period of at least 30 (thirty) days at the municipality's head and satellite offices and libraries, and if the municipality has an official website or a website is available to it, on that website as well; and advertise in the media a notice stating that the resolution levying the property rates has been passed by the Council, and that the resolution is available at the municipality's head and satellite offices.

12. EXEMPTIONS, REDUCTIONS AND REBATES

The municipality may:-

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

In terms of section 8 of the Municipal Property Rates Act, 2004, exemptions, reductions or rebates are determined per Council resolution in respect of owners of properties of the following categories:-

- indigent owners;
- owners dependent on pensions or social grants for their livelihood;
- owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;
- owners of residential properties with a market value lower than an amount determined by the municipality; and
- owners of agricultural properties who are bona fide farmers.

The Municipal Manager must annually table in the Council:

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

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

13. CONSTITUTIONALLY IMPERMISSIBLE RATES

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

14. OTHER IMPERMISSIBLE RATES

A municipality may not levy a rate on:

- the first 30% of the market value of public service infrastructure;
- those parts of a special nature reserve, national park or nature reserve or national botanical garden which are not developed or used for commercial, business, agricultural or residential purposes;
- mineral rights;

- property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses 10 (ten) years from the date on which such beneficiary's title was registered in the office of the registrar of deeds;
- the first R120 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined by the municipality for residential purposes or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes;
- a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community and who officiates at services at that place of workshop.

15. EXEMPTION OF MUNICIPALITIES FROM PROVISIONS OF SECTION 13

A municipality may apply in writing to the Minister for Provincial and Local Government to be exempted from applying the exemptions granted in respect of the first 30% of the market value of public infrastructure, the exemptions on nature reserves, national parks and national botanical gardens, the exemption on property belonging to land beneficiaries, and the exemption applying to the first R120 000 of the market value of residential and mixed use property, if the municipality can demonstrate that such exclusions are compromising or impeding its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

16. IMPERMISSIBLE DIFFERENTIATION

A municipality may not levy:

- different rates (rate randage) on residential properties (except where transitional arrangements apply or where some of the properties are newly ratable);
- a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;
- rates which unreasonably discriminate between categories of non-residential properties; and
- additional rates, except as provided for in Section 18.

17. LIMITS ON ANNUAL INCREASES OF RATES RANDAGE (and collective rates income)

On written application by the municipality, and on good cause shown, the municipality may apply for exemption from the upper limit set by the Minister of Provincial and Local Government, on the percentage by which rates on properties or a rate on a specific category of properties may be increased.

18. COMPULSORY PHASING IN OF CERTAIN RATES

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

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

The phasing in discount on a property must:

1. The prohibition on the levying of rates on public service infrastructure referred in section 17(1)(aA) must be phased in over a period of five municipal financial years, with effect from the date of commencement of the Act.
2. The rates levied on property referred to subsection (1) must
   (a) In the first year, be no more than 80 per cent of the rate for the rate for that year otherwise applicable to that property
   (b) In the second year, be no more than 60 per cent of the rate for that year otherwise applicable to that property
   (c) In the third year, be no more than 40 per cent of the rate for that year otherwise applicable to that property
   (d) In the fourth year, be no more than 20 per cent of the rate for that year otherwise applicable to that property; and
   (e) In the fifth year, be no more than 10 per cent of the rate for that year otherwise applicable to that property

19. SPECIAL RATING AREAS (Nodes/categories)

A municipality may by a resolution of its Council determine an area (node/category) within that municipality as a special rating area, levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading specific to that area, and differentiate between categories of properties when levying such additional rate, for so long as such differentiation is not unreasonable.

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

20. PROPERTY RATES PAYABLE BY OWNERS

A rate levied by a municipality on property must be paid by the owner of the property.

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

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

21. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

The rate levied by a municipality on a sectional title unit is payable by the owner of the unit.

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

22. METHOD AND TIME OF PAYMENT

uMngeni municipality will recover a rate on a monthly basis in twelve equal installments.

23. ACCOUNTS TO BE FURNISHED

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

- the amount due for rates payable;
- the date on or before which the amount is payable;
- how the amount was calculated;
- the market value of the property;
- if the property is subject to any compulsory phasing-in discount in terms of Section 17, the amount of the discount, and
- if the property is subject to any additional rate in terms of Section 18, the amount due for additional rates.

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

24. RECOVERY OF RATES IN ARREARS FROM TENANTS AND OCCUPIERS IN TERM OF SECTION 28 OF THE MPRA ACT

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

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

25. RECOVERY OF RATES FROM AGENTS IN TERMS OF SECTIO 29 OF THE MPRA ACT

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

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

26. GENERAL VALUATION AND PREPARATION OF VALUATION ROLLS IN TERMS OF SECTION 30 OF THE MPRA ACT AND CHAPTER 4

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

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

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

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

27. GENERAL BASIS OF VALUATION

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

In determining the market value of a property, the following must be considered for purposes of valuing the property:-
the value of any license, permission or other privilege granted in terms of legislation in relation to the property;

or is being used for purpose which is inconsistent with or in contravention of the permitted use of the property, as if the improvement was erected or is being used for a lawful purpose; and

- the value of the property for a purpose which is inconsistent with or in contravention of the permitted use of the property, as if the property is being used for a lawful purpose.

In determining the market value of a property the following must be disregarded for the purposes of valuing the property:-

- the value of any building or other immovable structure under the surface of the property which is the subject matter of any mining authorization or mining rights defined in the Minerals Act, 1991
- the value of any equipment or machinery which, in relation to the property concerned, is immovable property, excluding –
  - a lift
  - an escalator
  - an air conditioning plant
  - fire extinguishers
  - a water pump installation for a swimming pool or for irrigations on domestic purposes; and
  - any other equipment or machinery that may be prescribed;
  - any unregistered lease in respect of the property.

In determining the market value of a property used for agricultural purposes, the value of any annual of crops or growing timber on the property that have not yet been harvested as at the date of valuation must be disregarded for purposes of valuing the property.

Where the available market related data is insufficient to determine the market value of public service infrastructure, such public service infrastructure may be valued in accordance with any other method of valuation as may be prescribed.

28. OBJECTIONS

Any person who objects to the valuation of a property which is found to be vexatious shall be liable for the cost of dealing with that objection by the municipal valuer.

29. DATE OF VALUATION

For the purposes of a general valuation a municipality must determine a date that may be not more than twelve (12) months before the start of the financial year in which the valuation roll is to be first implemented. The date of valuation in respect of uMngeni Municipality is 2 July 2014.

The general valuation and supplementary valuation entries must reflect the market values of properties in accordance with market conditions which apply as at the date

of the valuation, and in accordance with any other applicable provisions of the present Act.

30. VALUATION OF PROPERTY IN SECTIONAL TITLE SCHEMES

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

31. RIGHT OF APPEAL

An appeal to an Appeal Board against a decision of the municipal value in terms of the Act, may be lodged in the prescribed manner and upon payment of the approved fee with the municipal manager.

32. UPDATING OF VALUATION ROLLS

The municipality must regularly, but at least once a year, update it's valuation roll by causing a supplementary valuation roll to be prepared in terms of Section 78 of the Municipal Property Rates Act; or the valuation roll is to be amended in terms of Section 79 of the Municipal Property Rates Act.

Rates payable on the values included in a supplementary roll will be determined in accordance with Section 78 (4) of the MPRA.

33. REGISTER OF PROPERTIES

- The Municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B.
- Part A of the register consists of the current valuation roll of the Municipality, including any supplementary valuation rolls prepared in terms of section 78 of the Municipal Property Rates Act.
- Part B of the register must specify which properties are subject to:-
- an exemption;
- a rebate on or reduction in the rate;
- a phasing-in of the rate;
- an exclusion referred to in section 17.

34. RATES CLEARANCE CERTIFICATES

- The following policy shall apply to the issue of a municipal clearance certificate for the purpose of effecting transfer of a property to a new owner:-
- Assessments
- Application shall be made in the prescribed format, providing the following information in respect of the property in question-
    - present owner of the property
    - property description

- physical address
- rates account numbers
- electricity account numbers (or electricity meter numbers)
- water account numbers (or water meter numbers)
- Preferably copies of all the accounts must accompany the application. If the relevant information is not provided, the application will be returned to the conveyancer.

- Every effort will be made to issue an assessment within five (5) days of receipt of application. Certain delays may be experienced in respect of –
  - new sub-divisions
  - pending building plans (this needs to be linked to a date, agricultural properties were not required to have building plans and submission of plans for such properties only became applicable as from DD/MM/YR – in addition, requirements for "as built plans" seem to change annually which adds to further delays in the issuing of rates clearance – this point alos contravenes the MPRA in terms of the issuing of rates clearance certificates.
  - special investigations
  - Conveyances will be notified of possible delays.

- The assessment shall include the following:-
  - Rates for the balance of the year (30 June) still outstanding
  - Where application is made after 31 March, the assessment shall include an estimate for the three months of the new financial year to 30 September.

- Water and electricity
  - Actual balance outstanding at date of application together with an estimate for three months following.

- Other
  - Actual balance outstanding at date of application.

- Assessment fee
  - Tariff fee of R191.88 (excluding VAT).
  - Tariff fee via electronic R 350.00 (excluding VAT)

- Period of validity
  - The assessment shall remain valid for a period of one (1) month. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.

- The onus rests with the seller to ensure:-
  - that all buildings on the property are in accordance with the building plans approved by the Council;
  - the premises in question are being utilized in accordance with its zoning;

- that all outstanding debts accruing to Council in respect of the property is fully paid.
- Any discrepancies in respect of the above may result in delays in issuing of a clearance certificate, and in addition may result in levying of additional backdated rates and/or penalties.

- Clearance certificates
  - Every effort will be made to issue a municipal clearance certificate within five (5) days of receiving payment.

- Only in exceptional circumstances, which must be fully motivated, will an unconditional guarantee be accepted in lieu of a cash payment. The guarantee must be –
  - issued by a recognized bank
  - unconditional
  - for the full amount outstanding
  - for a specified period of time acceptable to Council.
  - An attorney trust cheque may also be accepted in lieu of cash payment.
  - There shall be no refunds on the cancellation of a sale.

- Valuation Certificates
  - For the issuing of a valuation certificate a fee of R117.26 excl vat is payable by the applicant

- Lodging of objections and appeals
  - For the lodging of objections a fee of R 338.00 per objection for Residential and non-residential properties , R 677.98 per objection for Agricultural properties
    and refundable if objection is upheld, fees are vat exclusive
  - Lodging of appeals R 847.47 per appeal for all properties. Refundable if the appeal is upheld by the Valuation Appeals Board, fees are vat exclusive

uMNGENI MUNICIPALITY

("The Municipality")

ASSET MANAGEMENT POLICY

Effective Date : July 2016

Adoption Date : 30 March 2016

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PART 1 DEFINITION OF A FIXED ASSET

1.1 A fixed asset (property, plant and equipment) is defined in GRAP 17 as a tangible item of property, plant or equipment held by a municipality for use in the production or supply of goods or services, for rental to others, or for administrative purposes,

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and which is expected to be used during more than one reporting period (financial

year).

1.2 A fixed asset is thus an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in service delivery, over a period extending beyond one financial year.

1.3 To be recognised as a fixed asset, an asset must also meet the criteria referred to in parts 13, 14 and 15 below.

1.4 An asset held under a finance lease shall be recognised as a fixed asset, as the municipality has control over such an asset even though it does not own the asset.

PART 2 ROLE OF MUNICIPAL MANAGER

The responsibility for management of fixed assets lies with the Accounting Officer. While the performance of this function can be delegated to the Chief Financial Officer in the finance department, this delegation does not alleviate the responsibilities of the Accounting Officer. In terms of Section 63(1a-b) of the Municipal Finance Management Act, 2003 (MFMA), the Accounting Officer is responsible for the management of the fixed assets of the municipality including the safeguarding and the maintenance of those fixed assets and will need to ensure that all the fixed assets are adequately insured against loss, theft and damage of any nature.

Section 63(2) of MFMA states that the accounting officer must take all reasonable steps to ensure:

- that the municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;

- that the municipality's assets are valued in accordance with standards of generally recognised accounting practice (GRAP); and

- that the municipality has and maintains a system of internal controls of assets, including a fixed asset register, as may be prescribed.

PART 3 ROLE OF CHIEF FINANCIAL OFFICER

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3.1 The chief financial officer shall be the fixed asset registrar of the municipality, and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

3.2 No amendments, deletions or additions to the fixed asset register shall be made other than by the chief financial officer or by an official acting under the written instruction of the chief financial officer.

3.3 In terms of Section 78(1)(e) of the MFMA, each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;

PART 4 FORMAT OF FIXED ASSET REGISTER

4.1 The fixed asset register shall be maintained in the format determined by the chief financial officer, which format shall comply with the requirements of generally recognised accounting practice (GRAP) and other accounting requirements which may be prescribed.

4.2 The fixed asset register shall reflect the following information:

- a brief but meaningful description of each asset

- the date on which the asset was acquired or brought into use

- the location of the asset
- the department(s) or vote(s) within which the assets will be used
- the erf number, in the case of fixed property
- where applicable, the identification number(barcode), as determined in compliance with part 11 below
- the original cost, or the revalued amount determined in compliance with part 26 below, or the fair value if no costs are available
- the (last) revaluation date of the fixed assets subject to revaluation

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who did the (last) revaluation

- accumulated depreciation to date
- the depreciation charge for the current financial year
- the carrying value of the asset
- the method and rate of depreciation
- impairment losses incurred during the financial year (and the reversal of such losses, where applicable)

the source of financing

- disposal price
- the date on which the asset is disposed of or retired from use
- useful life of the asset

4.3 All heads of department under whose control any fixed asset falls shall promptly provide the chief financial officer in writing with any information required to compile the fixed asset register, and shall promptly advise the chief financial officer in writing of any material change which may occur in respect of such information.

4.4 A fixed asset shall be capitalised, that is, recorded in the fixed assets register, as soon as it is acquired. If the asset is constructed over a

period of time, it shall be recorded as work-in-progress until it is available for use, where after it shall be appropriately capitalised as a fixed asset.

4. A fixed asset shall remain in the fixed assets register for as long as it is in physical existence. The fact that a fixed asset has been fully depreciated shall not in itself be a reason for writing off such an asset.

PART 5 CLASSIFICATION OF FIXED ASSETS

In compliance with the requirements of the National Treasury, the chief financial officer of the Municipality shall ensure that all fixed assets are classified under the following headings in the fixed assets register, and heads of departments shall in writing provide the chief financial officer with such information or assistance as is required to compile a proper classification:

6.

PROPERTY, PLANT AND EQUIPMENT

- land (not held as investment assets)
- infrastructure assets (assets which are part of a network of similar assets)
- community assets (resources contributing to the general well-being of the community
- heritage assets (culturally significant resources)
- other assets (ordinary operational resources) in terms of PPE shall be accounted for GRAP 17

INVENTORY

- housing (rental stock or housing stock not held for capital gain)

INVESTMENT PROPERTY

- investment assets (resources held for capital or operational gain)

The chief financial officer shall adhere to the classifications indicated in the annexure on fixed asset lives (see part 32 below), and in the case of a fixed asset not appearing in the annexure shall use the classification applicable to the asset most closely comparable to the asset in question.

PART 6 INVESTMENT PROPERTY

6.1 Investment assets shall be accounted for in terms of GRAP 16 and shall not be classified as property, plant and equipment for purposes of preparing the municipality's statement of position.

6.2 Investment assets shall comprise land or buildings (or parts of buildings) or both held by the municipality, as owner or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both.

The following will be classified as investment property:

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- land held by the municipality for long-term capital appreciation rather than for short-term sale in the ordinary course of operations.

- land held for a currently undetermined future use. If the municipality has not determined that it will occupy the land (including for the use of providing services) or that it will sell the land in the short term in the ordinary course of operations, the land is deemed to be held for capital appreciation and classified as investment property until the use is determined.

- a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis. The entity is not occupying the land, rather earning rentals and thus classified as investment property.

- a building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties. Intention here is to earn rentals and as such classified as investment property.

The following property falls outside the scope of GRAP 16 and shall not be

classified as investment property:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale. The intention is to sell the property and therefore it is inventory rather than investment property. It should be accounted for according to the GRAP on Inventories.

- property being constructed or developed on behalf of third parties. This property should be accounted for in terms of the GRAP on Construction Contracts.

- owner-occupied property should be accounted for in accordance with the GRAP on Property, Plant and Equipment. This also includes, amongst others, property that is held for future use as owner-occupied property and owner-occupied property awaiting disposal.

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- property that is being constructed or developed for future use as investment property. The GRAP on Property, Plant and Equipment applies to the property until it is complete and ready to be used as investment property.

- property that is leased to another entity under a finance lease.

- property held to provide a social service and which also generates cash inflows, such as a Housing Board that holds a large housing stock used to provide housing to low income families at below market rental. In this situation, the property is held to provide housing services rather than for rentals or capital appreciation and rental revenue generated is incidental to the purposes for which the property is held. Such property is not considered an

"Investment property" and would be accounted for in accordance with the Standard of GRAP on Property, plant and equipment; and

- property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, plant and equipment.

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

6.4 investment property (buildings) shall be recorded in the balance sheet at historical cost and be depreciated and impaired in the same manner as other fixed assets. Land shall be kept at fair value/revalued amounts.

6.5 If the council of the municipality resolves to construct or develop a property for future use as an investment property, such property shall in every respect be

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accounted for as an ordinary fixed asset until it is ready for its intended use – where after it shall be reclassified as an investment asset.

PART 7 FIXED ASSETS TREATED AS INVENTORY

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

7.2 Such inventory shall be accounted for in terms of GRAP Inventory of this nature shall be accounted for at Fair Value.

PART 8 RECOGNITION OF HERITAGE ASSETS IN THE FIXED ASSET

REGISTER

8.1 If no original costs or fair values are available in the case of one or more or all heritage assets, the chief financial officer may, if it is believed that the determination of a fair value for the assets in question will be a laborious or expensive undertaking, record such asset or assets in the fixed asset register without an indication of the costs or fair value concerned.

8.2 For balance sheet purposes, the existence of such heritage assets shall be disclosed by means of an appropriate note.

PART 9 RECOGNITION OF DONATED ASSETS

Where a fixed asset is donated to the municipality, or a fixed asset is acquired by means of an exchange of assets between the municipality and one or more other parties, the asset concerned shall be recorded in the fixed asset register at its cost value as per the donors documentation or fair value as determined by the chief financial officer.

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PART 10 SAFEKEEPING OF ASSETS

10.1 Every head of department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.

10.2 In exercising this responsibility, every head of department shall adhere to any written directives issued by the municipal manager to the department in question, or generally to all departments, in regard to the control of or safekeeping of the municipality's fixed assets.

PART 11 IDENTIFICATION OF FIXED ASSETS

11.1 The municipal manager shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its computerised fixed asset register.

11.2 The identification system shall be determined by the municipal manager, acting in consultation with the chief financial officer and other heads of departments, and shall comply with any legal prescriptions, as well as any recommendations of the Auditor-General as indicated in the municipality's audit report(s), and shall be decided upon within the context of the municipality's budgetary and human resources.

11.3 Every head of department shall ensure that the asset identification system approved for the municipality is scrupulously applied in respect of all fixed assets controlled or used by the department in question.

PART 12 PROCEDURE IN CASE OF LOSS, THEFT, DESTRUCTION, OR IMPAIRMENT OF FIXED ASSETS

Every head of department shall ensure that any incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in question is promptly reported in writing to the chief financial officer, to the internal auditor, and 11

– in cases of suspected theft or malicious damage – also to the South African Police

Service.

PART 13 CAPITALISATION CRITERIA: MATERIAL VALUE

13.1 No item with an initial cost or fair value of less than R 2 000 (two thousand rand) or such other amount as the council of the municipality may from time to time determine on the recommendation of the municipal manager, shall be recognised as a fixed asset. If the item has a cost or fair value lower than this capitalisation benchmark, it shall be treated as an ordinary operating expense. However, the cost of assets shall be looked at in total and not individually i.e if the municipality purchases 50 chairs @ R1500.00 each, the total value would be R75,000.00. The value is therefore too material to be written off as an operating expense.

PART 14 CAPITALISATION CRITERIA: INTANGIBLE ITEMS

An intangible asset is an identifiable non-monetary asset without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, for example computer software and rights. The Municipality shall recognise an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible item dealing with research and development expenses shall not be recognised as a fixed asset, except that the Chief Financial Officer, acting in strict compliance with the criteria set out in GRAP 102 (dealing with research and development expenses) may recommend to the council that specific development costs be recognised as fixed property.

Intangible assets shall be recognised at cost. And amortised over their useful lives. Intangible assets with an infinite useful life shall be tested for impairment annually.

PART 15 CAPITALISATION CRITERIA: REINSTATEMENT, MAINTENANCE

AND OTHER EXPENSES

15.1 Only expenses incurred in the enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset) or in the material extension of the useful operating life of a fixed asset shall be capitalised.

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15.2 Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses incurred in ensuring that the useful operating life of the asset concerned is attained, and shall not be capitalised, irrespective of the quantum of the expenses concerned.

15.3 Expenses which are reasonably ancillary to the bringing into operation of a fixed asset may be capitalised as part of such fixed asset. Such expenses may include but need not be limited to import duties, forward cover costs, transportation costs, installation, assembly and communication costs.

PART 16 MAINTENANCE PLANS

16.1 Every head of department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the council of the municipality for approval.

16.2 If so directed by the municipal manager, the maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.

16.3 The head of department controlling or using the infrastructure asset in question, shall annually report to the council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the asset concerned.

PART 17 DEFERRED MAINTENANCE

17.1 If there is material variation between the actual maintenance expenses incurred and the expenses reasonably envisaged in the approved maintenance plan for any infrastructure asset (see part 16 above), the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements. Such note shall also indicate any

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plans which the council of the municipality has approved in order to redress such

deferral of the maintenance requirements concerned.

17.2 If no such plans have been formulated or are likely to be implemented, the chief financial officer shall re-determine the useful operating life of the fixed asset in question, if necessary in consultation with the head of department controlling or using such asset, and shall recalculate the annual depreciation expenses accordingly.

PART 18 GENERAL MAINTENANCE OF FIXED ASSETS

Every head of department shall be directly responsible for ensuring that all assets (other than infrastructure assets which are dealt with in part 16 and part 17 above) are properly maintained and in a manner which will ensure that such assets attain their useful operating lives.

PART 19 DEPRECIATION OF FIXED ASSETS

19.1 All fixed assets, except land, investment property and heritage assets, shall be depreciated, or amortised in the case of intangible assets.

19.2 Depreciation may be defined as the monetary quantification of the extent to which a fixed asset is used or consumed in the provision of economic benefits or the delivery of services.

19.3 Depreciation shall generally take the form of an expense both calculated and debited on an annual basis against the appropriate line item in the department or vote in which the asset is used or consumed.(is it practical for you to calculate depreciation on monthly basis?)

19.4 However, depreciation shall initially be calculated from the day following the day in which a fixed asset is acquired, or, in the case of construction works and plant and machinery, the day following the day in which the fixed asset is brought into

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use, until the end of the financial year concerned. Thereafter, deprecation charges

shall be calculated annually

19.5 Each head of department, acting in consultation with the chief financial officer, shall ensure that reasonable budgetary provision is made annually for the depreciation of all applicable fixed assets controlled or used by the department in question or expected to be so controlled or used during the ensuing financial year.

19.6 The procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other fixed assets.

PART 20 RATE OF DEPRECIATION

20.1 The chief financial officer shall assign a useful operating life to each depreciable asset recorded on the municipality's fixed asset register. In determining such a useful life the chief financial officer shall adhere to the useful lives set out in the annexure to this document (see part 31 below).

20.2 In the case of a fixed asset which is not listed in this annexure, the chief financial officer shall determine a useful operating life, if necessary in consultation with the head of department who shall control or use the fixed asset in question, and shall be guided in determining such useful life by the likely pattern in which the asset's economic benefits or service potential will be consumed.

PART 21 METHOD OF DEPRECIATION

Except in those cases specifically identified in part 23 below, the chief financial officer shall depreciate all depreciable assets on the straight-line method of depreciation over the assigned useful operating life of the asset in question.

PART 22 AMENDMENT OF ASSET LIVES AND DIMINUTION IN THE VALUE OF FIXED ASSETS

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22.1 Only the chief financial officer may amend the useful operating life assigned to any fixed asset, and when any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.

22.2 The chief financial officer shall amend the useful operating life assigned to any fixed asset if it becomes known that such asset has been materially impaired or improperly maintained to such an extent that its useful operating life will not be attained, or any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.

22.3 If the value of a fixed asset has been diminished to such an extent that it has no or a negligible further useful operating life or value such fixed asset shall be written off in the financial year in which such diminution in value occurs.

22.4 Similarly, if a fixed asset has been lost, stolen or damaged beyond repair, it shall be written off in the financial year in which such event occurs, and if the fixed asset has physically ceased to exist, it shall be written off the fixed asset register.

22.5 In the the foregoing instances (22.1 & 22.2), the additional depreciation expenses shall be debited to the department or vote controlling or using the fixed asset in question. In instance 22.3 & 22.4 the carrying amount shall be written of against the fixed asset vote.

22.6 If any of the foregoing events arises in the case of a normally non-depreciable fixed asset, and such fixed asset has been capitalised at a value other than a purely nominal value, such fixed asset shall be impaired, , and the department or vote controlling or using the fixed asset in question shall bear the impairment loss.

PART 23 ALTERNATIVE METHODS OF DEPRECIATION IN SPECIFIC

INSTANCES

23.1 The chief financial officer may employ the sum-of-units method of depreciation in the case of fixed assets which are physically wasted in providing economic benefits or delivering services.

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23.2 The chief financial officer shall only employ this method of depreciation if the head of department controlling or using the fixed asset in question gives a written undertaking to the municipal manager to provide:

- estimates of statistical information required by the chief financial officer to prepare estimates of depreciation expenses for each financial year; and

- actual statistical information, for each financial year.

23.3 The head of department concerned shall moreover undertake to provide such statistical information at the specific times stipulated by the chief financial officer.

23.4 Where the chief financial officer decides to employ the sum-of-units method of depreciation, and the requirements set out in the preceding

paragraph have been adhered to, the chief financial officer shall inform the council of the municipality of the decision in question.

PART 24 CARRYING VALUES OF FIXED ASSETS

24.1 All fixed assets shall be carried in the fixed asset register, and appropriately recorded in the annual financial statements, at their original cost or fair value less any accumulated depreciation.

24.2 The only exceptions to this rule shall be revalued assets (see part 25 below) and heritage assets in respect of which no value is recorded in the fixed asset register (see part 8 above).

PART 25 REVALUATION OF FIXED ASSETS

17. All land and buildings recorded in the municipality's fixed asset register shall be revalued every 5 years

25.1 The chief financial officer shall adjust the carrying value of the land and buildings concerned to reflect in each instance the value as per the experts valuations, provided the chief financial officer is satisfied that such value reflects the fair value of the fixed asset concerned.

25.2 The fixed asset concerned shall, in the case of buildings, thereafter be depreciated on the basis of its revalued amount, over its remaining useful operating life, and such increased depreciation expenses shall be budgeted for and debited against the appropriate line item in the department or vote controlling or using the fixed asset in question.

25.3 If the amount as per the expert is less than the carrying value of the fixed asset recorded in the fixed asset register, the chief financial officer shall

adjust the carrying value of such asset by reducing the the carrying value to the experts value. A decrease up to the Historical Cost value will be treated as a devaluation, with the decrease below being treated as an impairment. The impairment loss will be debited against the Statement of Financial Performance whilst the devaluation will be debited against the Revaluation Reserve in the Statement of Changes in Equity.

25.4 Revalued land and buildings shall be carried in the fixed asset register, and recorded in the annual financial statements, at their revalued amount, less accumulated depreciation (in the case of buildings).

PART 26 VERIFICATION OF FIXED ASSETS

26.1 Every head of department shall at least once during every financial year undertake a comprehensive verification of all fixed assets controlled or used by the department concerned.

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26.2 Every head of department shall promptly and fully report in writing to the chief financial officer in the format determined by the chief financial officer, all relevant results of such fixed asset verification, provided that each such asset verification shall be undertaken and completed as closely as possible to the end of each financial year, and that the resultant report shall be submitted to the chief financial officer not later than 30 June of the year in question.

PART 27 ALIENATION OF FIXED ASSETS

27.1 In compliance with the principles and prescriptions of the Municipal Finance Management Act, the transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

27.2 Every head of department shall report in writing to the chief financial officer on 31 October and 30 April of each financial year on all fixed assets controlled or used by the department concerned which such head of department wishes to alienate by public auction or public tender. The chief financial officer shall thereafter consolidate the requests received from the various departments, and shall promptly report such consolidated information to the council or the municipal manager of the municipality, as the case may be, recommending the process of alienation to be adopted.

27.3 The council shall delegate to the municipal manager the authority to approve the alienation of any fixed asset with a carrying value less than R5 000 (five thousand rand).

27.4 The council shall ensure that the alienation of any fixed asset with a carrying value equal to or in excess of R5 000 (five thousand rand) takes place in compliance with Section 14 of the Municipal Finance Management Act, 2003 (see part 33 below).

27.5 Once the fixed assets are alienated, the chief financial officer shall delete the relevant records from the fixed asset register.

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

27.7 All gains realised on the alienation of fixed assets shall be appropriated annually to the municipality's asset financing reserve (except in the cases outlined below), and all losses on the alienation of fixed assets shall remain as expenses on the income statement of the department or vote concerned. If, however, both gains and losses arise in any one financial year in respect of the alienation of the fixed assets of any department or vote, only the net gain (if any) on the alienation of such fixed assets shall be appropriated.

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

PART 28 OTHER WRITE-OFFS OF FIXED ASSETS

28.1 A fixed asset even though fully depreciated shall be written off only on the recommendation of the head of department controlling or using the asset concerned, and with the approval of the council of the municipality.

28.2 Every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reason for such recommendation. The chief financial officer shall consolidate all such reports, and shall promptly submit a recommendation to the council of the municipality on the fixed assets to be written off.

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

PART 29 REPLACEMENT NORMS

The municipal manager, in consultation with the chief financial officer and other heads of departments, shall formulate norms and standards for the replacement of all normal operational fixed assets. Such norms and standards shall be incorporated in a formal policy, which shall be submitted to the council of the municipality for approval. This policy shall cover the replacement of motor vehicles, furniture and fittings, computer equipment, and any other appropriate operational items. Such policy shall also provide for the norms and standards applicable to the replacement of fixed assets which are required for service delivery but which have become uneconomical to maintain.

PART 30 INSURANCE OF FIXED ASSETS

30.1 The municipal manager shall ensure that all movable fixed assets are insured immediately at least against fire and theft, and that all municipal buildings are insured at least against fire and allied perils.

30.2 If the municipality operates a self-insurance reserve (assuming such reserve to be allowed), the chief financial officer shall annually determine the premiums payable by the departments or votes after having received a list of the fixed assets and insurable values of all relevant fixed assets from the heads of departments concerned.

30.3 The municipal manager shall recommend to the council of the municipality, after consulting with the chief financial officer, the basis of the insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the fixed assets concerned. Such recommendation shall take due cognisance of the budgetary resources of the municipality.

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30.4 The chief financial officer shall annually submit a report to the council of the municipality on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

PART 31 ANNEXURE: FIXED ASSET LIVES

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and Machinery	
Specialised	10-15 years
Other	7-10 years
Furniture and Fixtures	15 years
Motor Vehicles	
Specialised Vehicles	10 Years
Other Motor Vehicles	5 years
Office Equipment	3 years
Computer Equipment	5 years
Infrastructure	
Roads and paving	30 years
Pedestrian Malls	30 years
Electricity	20-30 years
Community	
Buildings	30 years
Recreation facilities	20-30 years
Security	5 years
Bins and containers	5 years
Water network	15 years
Landfill Sites	15 years
Heritage assets	Indefinite
Investment Assets	30 years
Intangible assets	3 years