

**21.**  
**BUDGET RELATED**  
**POLICIES**  
**(ANNEXURE C)**

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**PART OF THE**  
**AGENDA**

# EMADLANGENI LOCAL MUNICIPALITY



## FINAL BUDGET POLICY 2025-26

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## DEFINITIONS

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**“Accounting Officer” –**

- (a) Means the Municipal Manager;
- (b) A person appointed in terms of Section 82 (1) (a) or (b) of the Municipal Structure Act.

**“Allocation” means-**

- (a) A municipality’s share of the local government’s equitable share referred to in section 214(1) (a) if the Constitution;
- (b) An allocation of money to a municipality in terms of Section of 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) if the Constitution;

**“Approved budget”** means an annual budget-

- (a) Approved by a Municipal Council, or
- (b) Includes such an annual budget as revised by an adjustments budget in terms of Section 28 of the MFMA.

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

**“Budget-related Policy”** means a policy of a Municipality affecting or affected by the annual budget of the Municipality, including-

- (a) The tariffs policy, which the Municipality must adopt in terms of Section 74 of Local Government: Municipal Systems Act;
- (b) The rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) The credit control and debt collection policy, which the municipality must adopt in terms of Section 96 of the Local Government: Municipal Systems Act;

**“Budget transfer”** means transfer of funding within a function /vote.

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

**“Chief Financial Officer”** means a person designated in terms of Section 80 (2) (a) of the MFMA;

**“Councillor”** means a member of a Municipal Council;

**“Creditor”** means a person to whom money is owed by the Municipality;

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

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

**“Financial Recovery Plan”** means a plan prepared in terms of Section 141 of the MFMA;

**“Financial Statements”** means statements consisting of least-

- (a) A statement of financial position;
- (b) A statement of financial performance;
- (c) A cash-flow statement;
- (d) Any other statements that may be prescribed; and
- (e) Any notes to these statements;

**“Financial Year”** means a twelve months period commencing on 1 July and ending on 30 June each year.

**“Financial Agreement”** includes any and agreement, lease, and instalment purchase contract or hire purchase arrangement under which a Municipality undertakes to repay a long-term debt over a period of time;

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

**“Irregular expenditure”** means;-

- (a) Expenditure incurred by a Municipality or Municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of Section 107 of the MFMA;
- (b) Expenditure incurred by a Municipality or Municipal entity in contravention of, or that is not in accordance with, a requirement of the Local Government: Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) Expenditure incurred by a Municipality in contravention of, or that is not in accordance with, a requirement of the Public Office Bearer Act, 1998 (Act No. 20 of 1998); or
- (d) Expenditure incurred by a Municipality or Municipal Entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the Municipality or entity or any of the Municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a Municipality which falls within the definition of “unauthorised expenditure”;

**“Investment”**, in relation to funds of a Municipality, means-

- (a) The placing on deposit of funds of a Municipality with a financial institution; or
- (b) The acquisition of assets with funds of a Municipality not immediately required, with the primary aim of preserving those funds;

**“Lender”**, means a person who provides debt finance to a Municipality;

**“Local community”** has the meaning assigned to it in Section 1 of Local Government: Municipal Systems Act;

**“Long-term debt”**, means debt repayable over a period exceeding one year;

**“Mayor”** means a councillor elected as the mayor or acting mayor of the Municipality in terms of Section 48 of the Municipal Structures Act;

**“MFMA”** means the Local Government: Municipal Finance Management Act, 56 of 2003

**“Municipal Structures Act”** means the Local Government: Municipal Structures Act, 117 of 1998 as amended from time to time;

**“Municipal Systems Act”** means the Local Government: Municipal Systems Act, 32 of 2000 as amended from time to time;

**“Municipal council”** or **“council”** means the council of a Municipality referred to in Section 18 of the Municipal Structures Act;

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

**“Municipal entity”** has the meaning assigned to it in Section 1 of the Municipality Systems Act (refer to the MSA for definition);

**“Municipality”-**

- (a) When referred to as a corporate body, means a Municipality as described in Section 2 of the Municipal Systems Act; or
- (b) When referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

**“Municipal service”** has the meaning assigned to it in Section 1 of the Municipal Systems Act;

**“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 the National Treasury established by Section 5 of the Public Finance Management Act;

**“Official”**, means-

- (a) An employee of a Municipality or Municipality entity;
- (b) A person seconded to a Municipality or Municipal entity to work as a member of staff of the Municipality or Municipal entity; or
- (c) A person contracted by a Municipality or Municipal entity to work as a member of the staff of the Municipality or Municipal entity otherwise than as an employee

**“Overspending”-**

- (a) Means causing the operational or capital expenditure incurred by the Municipality during a financial year to exceed the total amount appropriated in that year’s budget for its operational or capital expenditure as the case may be;
- (b) In relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

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

**“Past financial year”** means the financial year preceding the current year;

**“Quarter”** means any of the following periods in a financial year;

- (a) 1 July to 30 September;
- (b) 1 October to 31 December;
- (c) 1 January to 31 March; or
- (d) 1 April to 30 June;

**“Service delivery and budget implementation plan”** means a detailed plan approved by the mayor of a Municipality in terms of Section 53 (1) (c) (ii) of the MFMA for implementing the municipality’s delivery of municipal services and its annual budget, and which must indicate-

- (a) Projections for each month of-
  - (i) Revenue to be collected, by source; and
  - (ii) Operational and capital expenditure, by vote;
- (b) Service delivery targets and performance indicators for each quarter; and
- (c) Any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of Section 54 (1) (c) of the MFMA;

**“Short-term debt”** means debt repayable over a period not exceeding one year;

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

**“Unauthorised expenditure”**, means any expenditure incurred by a Municipality otherwise than in accordance with Section 15 or 11 (3) of the MFMA, and includes-

- (a) Overspending of the total amount appropriated in the municipality’s approved budget;
- (b) Overspending of the total amount appropriated for a vote in the approved budget;
- (c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) A grant by the Municipality otherwise than in accordance with the MFMA;

**“virement”** means transfer of funds between functions/votes

**“vote”** means-

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the Municipality; and
- (b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned?

## **1. INTRODUCTION**

In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, subsection 16, states that the Council of a Municipality must for each financial year approve an annual budget for the Municipality before commencement of that financial year. According to subsection 2 of the Act concerned, in order to comply with subsection 1, the Mayor of the Municipality must table the annual budget at a Council meeting at least ninety (90) days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget plays a critical role in an attempt to realise diverse community needs. Central to this, the formulation of a Municipality budget must take into account the government's macro-economic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located within the national government's policy framework.

## **2. OBJECTIVE**

The objective of the budget policy is to set out:

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

## **3. BUDGETING PRINCIPLES**

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

## **4. BUDGET PREPARATION PROCESS**

### **(a) Formulation of the budget**

- (a) The Accounting Officer with the assistance of the Chief Financial Officer and the officer responsible for the IDP shall draft the IDP process plan as well as the budget timetable for the Municipality including Municipal entities for the ensuing financial year.
- (b) The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (ten (10) months before the start of the next budget year).
- (c) IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- (d) The mayor shall convene a strategic workshop in September/October with Council and all senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The mayor shall table the IDP priorities with the draft budget to Council.
- (e) The mayor shall table the draft IDP and MTREF budget to Council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc.)
- (f) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- (g) The budget must be in the prescribed format, in terms of National Treasury's guidelines issued from time to time, and must be divided into capital and operating budget.
- (h) The budget must reflect the realistically expected revenues by major source for the budget year concerned;
- (i) The expenses reflected in the budget must be divided into items as prescribed by National Treasury;
- (j) The budget must also contain the information related to which the budget relates, as well as the actual revenues and expenses for the prior year, and the estimated revenues and expenses for the current year.

### **(b) Public participation process**

Immediately after the draft annual budget has been tabled, the Municipality must convene hearings on the draft budget in April and invite the public, stakeholder organisations, to

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

**(c) Approval of the budget**

- (a) Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year).
- (b) The council resolution must contain budget policies and the performance measures must be adopted.
- (c) Should the Municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance in the Province that the budget has not been approved.
- (d) The budget tabled to Council for approval shall include the following documents;
- (e) Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- (f) Draft resolutions
- (g) Measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- (h) The projected cash flows for the financial year by revenue sources and expenditure votes;
- (i) Any proposed amendments to the IDP;
- (j) Any proposed amendments to the budget-related policies;
- (k) The cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers;
- (l) Particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as Non-Governmental Organisations, welfare institutions and so on;
- (m) Particulars of the municipality's investments; and
- (n) Various information in regard to municipal entities under the shared or sole control of the municipality.

**(d) Publication of the budget**

- (a) Within 14 days after the draft annual budget has been tabled, the Director: Corporate Services must post the budget and other budget-related documentation onto the Municipal website so that it is accessible to the public as well as send hard copies to Auditor General's office, Local Government, District Municipality, National and Provincial Treasury;
- (b) The Chief Financial Officer must within 14 days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the Municipal website.

**(e) Service Delivery and Budget Implementation Plan (SDBIP)**

- (a) The mayor must approve the Service Delivery and Budget Implementation Plan not later than 28 days after the approval of the Budget by Council

- (b) The SDBIP shall include the following components;
- i. Monthly projections of revenue to be collected for each source
  - ii. Monthly projections of expenditure (operating and capital) and revenue for each vote
  - iii. Quarterly projections of service delivery targets and performance indicators for each vote
  - iv. Ward information for expenditure and service delivery
  - v. Detailed capital works plan broken down by ward over three years.

## **5 CAPITAL BUDGET**

- (a) Expenditure of a project shall be included in the capital budget if it meets the asset definition i.e. if it results in an asset being acquired or created and its value exceeds R10 000 and has a useful life in excess of one year
  - (b) Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.
  - (c) A Municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.
  - (d) The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.
  - (e) Before approving a capital project, the Council must consider;
    - i. The projected cost of the project over all the ensuing financial years until the project becomes operational,
    - ii. Future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).
- (a) Before approving the capital budget, the Council shall consider;
- i. The impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,
  - ii. Depreciation of fixed assets.
  - iii. Maintenance of fixed assets, and
  - iv. Any other ordinary operational expenses associated with any item on such capital budget.
- (b) Council shall approve the annual or adjustment budget only if it has been properly balanced and funded
- (c) The capital expenditure shall be funded from the following sources;

### **Revenue or Surplus**

- If any project is to be financed from revenue this financing must be included in the
- Cash budget to raise sufficient cash for the expenditure.

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

### **External loans**

- External loans can be raised only if it is linked to the financing of an asset;
- A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if it can be reasonably assumed as being secured.
- The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;
- Interest payable on external loans shall be included as a cost in the revenue budget
- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

### **Capital Replacement Reserve (CRR)**

- (a) Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue;
  - Inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
  - Interest on the investments of the CRR, appropriated in terms of the investments policy;
  - Additional amounts appropriated as contributions in each annual or adjustment budget; and
  - Sale of land and profit or loss on the sale of assets
- (b) Before any asset can be financed from the CRR the financing must be available within the reserve and available as such as this fund must be cash backed;
- (c) If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;
- (d) Transfers to the CRR must be budgeted for in the cash budget.

### **Grant Funding**

- Non capital expenditure funded from grants
  - Must be budgeted for as part of the revenue budget
  - Expenditure must be reimbursed from the funding creditor and transferred to the operating and must be budgeted for as such.

- Capital expenditure must be budgeted for in the capital budget
- Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there are no conditions stated the interest can then be allocated directly to the revenue accounts.
- Grant funding does not need to be cash backed but cash should be secured before spending can take place.

## **6 OPERATING BUDGET**

- (a) The Municipality shall budget in each annual and adjustment budget for the contribution to:
- i. Provision for accrued leave entitlements equal to 100% of the accrued leave
  - ii. Entitlement of officials as at 30 June of each financial year
  - iii. Provision for bad debts in accordance with its rates and tariffs policies
  - iv. Provision for the obsolescence and deterioration of stock in accordance with its stores management policy
  - v. Depreciation and finance charges shall be charged to or appointed only between the departments or votes to which the projects relate
  - vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.
- (b) When considering the draft annual budget, council shall consider the impact which the proposed increase in rates and service tariffs will have on the monthly municipal accounts of households
- (c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts
- (d) The operating budget shall reflect the impact of the capital components on;
- Depreciation charges
  - Repairs and maintenance expenses
  - Interest payable on external borrowings
  - Other operating expenses
- (e) The Chief Financial Officer shall ensure that the cost of indigence relief is separately reflected in the appropriate votes.

## **7 FUNDING OF CAPITAL AND OPERATING BUDGET**

- (a) The budget may be financed only from;
- i. Realistically expected revenues, based on current and previous collection levels;
  - ii. Cash-backed funds available from previous surpluses where such funds are not required for other purposes; and

- iii. Borrowed funds in respect of the capital budget only.

## **8 UNSPENT FUNDS/ROLL OVER OF BUDGET**

- (a) The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure
- (b) Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year
- (c) Conditions of the grant fund shall be taken into account in applying for such rollover of funds
- (d) Application for rollover of funds shall be forwarded to the budget office by the 15<sup>th</sup> of April each year to be included in next year's budget for adoption by Council in May
- (e) Adjustments to the rolled over budget shall be done during the 1<sup>st</sup> budget adjustment in the new financial year after taking into account expenditure up to the end of the previous financial year.
- (f) No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior to the end of that particular financial year
- (g) No unspent operating budget shall be rolled over to the next budget year

## **9 BUDGET TRANSFERS AND VIREMENTS**

- (a) Budget transfers within the same vote shall be recommended by the Senior Manager: Budget and Treasury and approved by the Chief Financial Officer or such other senior delegated official in the Budget and Treasury Department
- (b) No budget transfers or virement shall be made to or from salaries except with the prior approval of the Chief Financial Officer in consultation with the Director: Corporate Services
- (c) In cases of emergency situations virements shall be submitted by the Accounting Officer to the Mayor for authorisation and be reported by the Mayor to Council at its next meeting
- (d) The budget for personnel expenditure may not be increased without prior approval of the Chief Financial Officer
- (e) Savings on allocations earmarked for specific operating and capital projects may not be used for other purposes except with the approval of Council,
- (f) Directors may utilise a saving in the amount appropriated under a main expenditure category (e.g. salaries, general expenses, repairs & maintenance, etc.) within a vote which is under their control towards the defrayment of excess expenditure under another main expenditure category within the same vote, with the approval of the Chief Financial Officer or such senior delegated official in the Budget & Treasury Department
- (g) The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent of the amount appropriated under that main expenditure category
- (h) Savings in an amount appropriated for capital expenditure may not be used to defray operational expenditure

- (i) Virements between votes shall be included in the adjustment budget.

## **10 ADJUSTMENT BUDGET**

Each adjustment budget shall reflect realistic excess, however nominal of current revenues over expenses.

- (a) The Chief Financial Officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury, reflects the budget priorities determined by the Mayor, are aligned with the IDP, and comply with all budget related policies and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated
- (b) Council may revise its annual budget by means of an adjustment budget at most three times a year or as regulated
- (c) The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenue arises or is apparent
- (d) The Accounting Officer shall appropriate additional revenues, which have become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with item 2 of Section 10.
- (e) The Council shall in such adjustments budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor
- (f) The Council should also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council
- (g) Only the Mayor shall table an adjustment budget. Adjustment budget shall be done at most three times a year after the end of each quarter and be submitted to Council in the following months;
  - i. In October – to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources;
  - ii. February – to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget
  - iii. May – final budget adjustment to adjust current year’s budget in cases where there is an indication that there will be rolling over of funding to the next financial year
- (h) An adjustment budget must contain all of the following
  - i. An explanation of how the adjustments affect the approved annual budget
  - ii. Appropriate motivations for material adjustments; and
  - iii. An explanation of the impact of any increased spending on the current and future annual budgets.

- (i) Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve
- (j) Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan
- (k) Unauthorised expenses may be authorised in an adjustment budget
- (l) In regard to unforeseen and unavoidable expenditure, the following shall apply;
  - i. The Mayor may authorise such expense in a emergency or other exceptional circumstances
  - ii. The municipality may not exceed 3% of the approved annual budget in respect of such unforeseen and unavoidable expenses
  - iii. These expenses must be reported by the Mayor to the next Council meeting
  - iv. The expenses must be appropriated in an adjustment budget and
  - v. Council must pass the adjustments budget within sixty (60) days after the expenses were incurred

## **11 BUDGET IMPLEMENTATION**

### **11.1 Monitoring**

- (a) The Accounting Officer with the assistance of the Chief Financial Officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that;
  - funds are spent in accordance with the budget
  - expenses are reduced if expected revenues are less than projected and
  - revenues and expenses are properly monitored.
- (b) The Accounting Officer with the assistance of the Chief Financial Officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council
- (c) The Accounting Officer must report in writing to Council any impending shortfalls in the annual revenue budget, as well as any impending overspending together with the steps taken to prevent or rectify these problems.

### **11.2 REPORTING**

#### **11.2.1 Monthly budget statements**

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

This report must reflect the following:

- i. Actual revenues per source, compared with budgeted revenues;

- ii. Actual expenses per vote, compared with budgeted expenses;
- iii. Actual capital expenditure per vote, compared with budgeted expenses;
- iv. Actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- v. The amount of allocations received, compared with the budgeted amount;
- vi. Actual expenses against allocations, but excluding expenses in respect of the equitable share;
- vii. Explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- viii. The remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- ix. Projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

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

### **11.2.2 Quarterly Reports**

- (a) The Mayor must submit to Council within thirty (30) days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the Municipality.

### **11.2.3 Mid-year budget and performance assessment**

- (a) The Accounting Officer must assess the budgetary performance of the Municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the Municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan.
- (b) The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury by 31 January each year.
- (c) The Accounting Officer may in such report make recommendations after considering the recommendation the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan

## **12 CONCLUSION**

The Director: Corporate Services must place on the Municipality's official website the following;

- The annual and adjustment budgets and all budget-related documents
- All budget-related policies;
- The integrated development plan;
- The annual report;
- All performance agreements;
- All service delivery agreements;

- All long-term borrowing contracts; and
- All quarterly and mid-year reports submitted the Council on the implementation of the budget and the financial state of affairs of the Municipality.

SIGNED BY ACCOUNTING OFFICER

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GN MAVUNDLA

DATE:

# EMADLANGENI MUNICIPALITY



## FINAL RATES POLICY 2025-26

**Approved and adopted by council on 27 March 2025**

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## **RATES POLICY DOCUMENT**

### **PART ONE: PREAMBLE**

#### **WHEREAS:**

In terms of section 229(1) of the Constitution of the Republic of South Africa (Act 108 of 1996), the municipality has the power to levy rates on property in its area.

The Municipality must, in accordance with the provision of section 3 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) and Section 62 of the Local Government: Municipal Finance Management Act 56 of 2003, the municipality should adopt and implement a rates policy on the levying of rates on rateable properties.

The Council of the Emadlangeni Municipality has resolved to levy rates on the market value of all rateable properties in its area of jurisdiction, as reflected in its property register compiled in terms of section 23 of the Municipal Property Rates Act 2004 (Act No. 6 of 2004), in order to provide a reliable source of revenue to provide basic services and perform its functions.

## **PART TWO: DEFINITIONS**

Any words and phrases referred to in this policy shall have the same meaning and interpretation assigned in terms of the Municipal Property rates Act 6 of 2004 (“the Act”) and for this purpose lists hereunder the definitions used in the Act.

In this Act, unless the context indicates otherwise –

“**Act**”, means Local Government: Municipal property Rates Act, No.6 of 2004

“**Agent**”, in relation to the owner of a property, means a person appointed by the owner of the property –

- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
- (b) to make payments in respect of the property on behalf of the owner’

“**agricultural property**”, means property that is used primarily for agricultural purpose but without derogating from section 9 of the MPRA, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

“**Annually**” means once every financial year;

“**Appeal board**” means a valuation appeal board established in terms of section 56 of the Act;

“**Assistant municipal valuer**” means a person designated as an assistance municipal valuer in terms of section 35(1) or (2);

“**Category**” –

- (a) In relation to property, means a category of properties determined in terms of section 8; and
- (b) In relation to owners of properties, means a category of owners determined in terms of section 15(2);

“**data-collector**” means a person designated as a data-collector in terms of section 36 of the Act;

“**Date of valuation**” means the date determined by a municipality in terms of section 31(1) of the Act;

**“Day”**, means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on a Saturday, Sunday or any public holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday;

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

**“Effective date”** –

- (a) in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1); or
- (b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b);

**“Exclusion”**, in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17;

**“Exemption”**, in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15;

**“Financial year”** means the period starting from 1 July in a year to 30 June the next year;

**“Income Tax Act”** means the Income Tax Act, 1962 (Act No. 58 of 1962);

**“Land reform beneficiary”**, in relation to a property, means a person who –

- (a) acquired the property through –
  - (i) The Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
  - (ii) The Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
- (b) Holds the property subject to the Communal property Associations Act, 1996 (Act No. 28 of 1996); or
- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

**“land tenure right”** means land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991(Act No.112 of 1990)

**“Local community”**, in relation to a municipality –

- (a) Means that body of persons comprising –

- (i) The residents of the municipality;
  - (ii) The ratepayers of the municipality;
  - (iii) Any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and
  - (iv) Visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and
- (b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons;

**“Market value”**, in relation to a property, means the value of the property determined in accordance with section 46;

**“MEC for local government”** means the Member of the Executive Council of a province who is responsible for local government in that province;

**“Mining Property”**, Means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002( Act no.28 of 2002)

**“Minister”** means the Cabinet member responsible for local government;

**“Multiple purposes”**, in relation to a property, means the use of a property for more than one purpose, subject to Section 9 of the Act;

**“Municipal council” or “council”** means a municipal council of Emadlangeni Municipality

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

**“Municipal manager”** means a person appointed in terms of section 82 of the Municipal Structures 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 valuer” or “valuer of a municipality”** means a person designated as a municipal valuer in terms of section 33(1);

**“newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding -

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

**“Occupier”**, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

**“Office bearer”**, in relation to places of public worship means the primary person who officiates at services at the place of worship;

**“Official residence”**, in relation to place of worship, means

- (a) A portion of property used for residential purpose; or
- (b) One residential property used for residential property is not located on the same property as place of worship,

Registered in the name of religious community or registered in a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer;

**“Organ of state”** means an organ of state as defined in section 239 of the Constitution;

**“Owner”** –

- (a) In relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
  - (b) In relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

- (bB) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);
- (bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) In relation to public service infrastructure referred to in paragraph (d) of the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
- (i) A trustee, in the case of a property in a trust excluding state trust land;
  - (ii) an executor or administrator, in the case of a property in a deceased estate;
  - (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
  - (iv) A judicial manager, in the case of a property in the state of a person under judicial management;
  - (v) A curator, in the case of a property in the estate of a person under curatorship;
  - (vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
  - (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
  - (viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or

- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

**“Permitted use”**, in relation to a property, means the limited purposes for which the property may be used in terms of –

- (a) Any restrictions imposed by
  - (i) A condition of title;
  - (ii) A provision of a town planning or land use scheme; or
  - (iii) Any legislation applicable to any specific property or properties; or
- (b) Any alleviation of any such restrictions;

**“Person”** includes an organ of state;

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

- (a) Registered in the name of the religious community;
- (b) Registered in the name of a trust established for the sole benefit of a religious community; or
- (c) Subject to a land tenure right;

**“Prescribe”** means prescribe by regulation in terms of section 83 of the Act;

**“Property”** means –

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

**“Property register”** means a register of properties referred to in section 23 of the Act;

**“Protected area”** means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act;

**“Protected Areas Act”** means the National Environmental Management : Protected Areas Act, 2003;

**“Public Benefit Organization”**, Means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of part 1 of ninth Schedule to the Income tax Act

**“Publicly controlled”** means owned by or otherwise under the control of an organ of state, including –

- (a) a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act;

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

- (a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) Railway lines forming part of a national railway system;
- (f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways, aprons and the air control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant to air navigation purposes;

**"Public service purposes"**, in relation to the use of a property, means property owned and used by an organ of state as—

- (a) Hospitals or clinics;
- (b) Schools, pre-schools, early childhood development centres or further education and training colleges;
- (c) National and provincial libraries and archives;
- (d) Police stations;
- (e) Correctional facilities; or
- (f) Courts of law,

but excludes property contemplated in the definition of "public service infrastructure";

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

**"rateable property"** means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act;

**ratio"**, in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;

**"Rebate"**, in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;

**“reduction”**, in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;

**“Register”** –

- (a) Means to record in a register in terms of –
  - (i) The Deeds Registries Act, 1937 (Act No. 47 of 1937); or
  - (ii) The Mining Titles Registration Act, 1967 (Act No. 16 of 1967);And
- (b) includes any other formal act in terms of any other legislation to record –
  - (i) a right to use land for or in connection with mining purposes; or
  - (ii) a land tenure right;

**“residential property”** means a property included in a valuation roll in terms of section 48(2)(b) of the Act, in respect of which the primary use of permitted use is for residential purpose without derogating from section 9 of the Act;

**“Sectional Titles Act”** means the Sectional Titles Act, 1986 (Act No. 95 of 1986);

**“Sectional title scheme”** means a scheme defined in section 1 of the Sectional Titles Act;

**“Sectional title unit”** means a unit defined in section 1 of the Sectional Titles Act;

**“smallholding”** for the purposes of this policy means an agricultural holding smaller than a farm in close proximity to urban development which in the opinion of the valuer is classified as such;

**“Specified public benefit activity”** means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act;

**“State trust land”** means land owned by the state –

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

**“This Act”** includes regulations made in terms of section 83.

- (a) 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.

### **Other Definitions**

**“Child headed household”** means any child who is or is a blood relative of the owner of the property and which child is responsible for the care of siblings or parents.

**“Disabled”** means a person who qualifies to receive relief in terms of the Social Services Act 1992 (Act No. 59 of 1992) or has been certified as disabled by a medical practitioners;

**“Indigent owner”** means an owner of property who is in permanent occupation of the property and qualifies for indigent relief in terms of the municipality’s indigent policy;

**“The Municipality”** means the Emadlangeni Municipality;

**“Owners of property in an area affected by a disaster”** means owners of property situated within an area affected by;

- (a) Disaster within the meaning of the **Disaster Management Act 57 of 2002**;
- (b) Any other serious adverse social or economic conditions;

**“Pensioner”** means

- (a) a person in receipt of a social pension; or
- (b) a person over the age of 60 years; or
- (c) a person who has retired prematurely from employment due to medical reasons.

**“Retiree”** means a person who has retired from employment in terms of that person’s employment or who has reached the age of a pensioner;

**“Temporarily without income”** means;

- (a) In the case of an employee –
  - (i) The period of which the person is entitled to benefits in terms of the Unemployment Insurance Act; or
  - (ii) 90 days whichever is the longer; or
- (b) in any other case, a period of 90 days determined from the date of application by that person for relief in terms of the Municipality’s policy;

**“Non-profit organizations”** means any organization which is registered in terms of the Non-profit Organisations Act.

### **PART THREE: THE PURPOSE OF THIS POLICY**

3. The purpose of this policy is to:

- 3.1 comply with the provisions Section 3 of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- 3.2 give effect to the principles outlined above;
- 3.3 determine the methodology and to prescribe procedures for the implementation of the Act;
- 3.4 determine criteria to be applied for the levying of differential rates for different categories of properties;
- 3.5 determine or provide criteria for the determination of categories of properties and categories of owners of properties for categories of properties;
- 3.6 determine criteria to be applied for granting exemptions, rebates and reductions;
- 3.7 determine how the municipality’s powers must be exercised in relation to multi purpose properties;
- 3.8 determine measures to promote local economic and social development; and
- 3.9 identify which categories or properties the municipality has elected not to rate as provided for in Section 7 of the Act.

### **PART FOUR: FUNDAMENTAL PRINCIPLES OF THIS POLICY**

The principle of the Act are to regulate the power of the municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair valuation method of properties; to make provision for an objection and appeal process

**The principles of the policy are to ensure that: -**

- 4.1 the power of the municipality to impose rates on property will not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities or the national mobility of goods services, capital or labour in terms of Section 229 of the Constitution of the Republic of South Africa;
- 4.2 all ratepayers, in a specific category, as determined by council from time to time, will be treated equitably;
- 4.3 property rates will be assessed on the market value of all rateable properties in the jurisdiction of the municipality and for the purpose of generating revenue to balance the budget after taking into account;
  - 2.3.1 Profits generated on trading and economic services; and
  - 2.3.2 The amounts required to finance exemptions, rebates and reductions of rates as approved by council from time to time;
- 4.4 property rates will not be used to subsidise trading and economic services;
- 4.5 The rates income generated by the municipality will take into account relief measures to address the social and economic needs of the community;
- 4.6 this Policy was developed in consultation with the community and in compliance with a process of community participation in terms of Chapter 4 of the Municipal Systems Act.

**PART 5: IMPLEMENTATION OF THIS POLICY AND EFFECTIVE DATE**

- 5.1 This policy takes effect from 01 July being the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and must accompany the municipality's budget for the financial year.
- 5.2 The Rates Policy must be reviewed annually, and if necessary amended by the Municipal Council, such amendments to be effected in conjunction with the

Municipality's annual budget in terms of Sections 22 and 23 of the Municipal Financial Management Act.

- 5.3 The Municipality has adopted by-laws to give effect to the implementation of its Rates Policy and such by-laws must be read in conjunction with this policy. The rates by-laws may differentiate between:
  - 5.3.1 Categories of properties; and
  - 5.3.2 Categories of owners of properties.
- 5.4 The by-laws adopted in terms of Item 1.3 may be reviewed annually, and if necessary be amended by the Municipal Council, in conjunction and in accordance with the Rates Policy.

#### **PART SIX: EQUITABLE TREATMENT OF RATE PAYERS**

- 6.1 This municipality is committed to treating all ratepayers on an equitable basis. "Equitable" does not necessarily mean "equal" treatment of ratepayers. The circumstances of each category of owner or category of property will be considered in a fair manner, and within the limitations set out in the Act. The municipality may adopt measures to ensure equitable and fair treatment of ratepayers.
- 6.2 Any differentiation in levying rates must not constitute unfair discrimination.

#### **PART SEVEN: DISCRETIONARY DECISIONS ADOPTED BY THE MUNICIPALITY WITH RESPECT TO LEVYING OF RATES**

It is recorded that the Municipality has adopted the following resolutions:

- 7.1 To levy rates on all rateable property in its area of jurisdiction.
- 7.2 To determine the date of implementation as provided above.
- 7.3 To determine the date of general valuation as 1 July 2018.
- 7.4 To levy different cents in the rand for different categories of rateable property.

- 7.5 That the categories of properties for the purpose of differential rating referred to in 5.4 above are those specified in Appendix 1 attached hereto.
- 7.6 That the criteria for the assessment of market value in terms of Section 8(1) shall be actual use.
- 7.7 To determine whether the valuations for multiple purpose usage will be assessed according to the dominant use of the property.
- 7.8 To rate public service infrastructure.

## **PART EIGHT: CATEGORIES OF RATEABLE PROPERTY AND DIFFERENTIAL RATING**

- 6.1 The municipality may levy different Rates to different categories of properties for this municipality is those specified in Appendix 1.
- 6.2 The categories of property are determined according to the actual use of the property and the property shall be rated on such actual use
- 6.3 A change in the use of property may result in a change in category of property
- 6.4 Differential rating among the various property categories may be executed by different rate randages for each property category.
- 6.5 The municipality has determined the following categories of property
  - a) Agriculture properties used for agricultural purpose
  - b) Business and commercial properties
  - c) Industrial properties
  - d) Mining properties
  - e) Municipal properties
  - f) Public benefit organisations
  - g) Public service infrastructure
  - h) Public Service Purpose
  - i) Residential properties
  - j) Vacant Properties
  - k) Public worship

## **PART 9: CATEGORIES OF OWNERS**

- 9.1 The municipality may in terms of the criteria set out in this policy
- a) Exempt a specific category of property of owners of properties, or owner of a specific category of properties, from payment of rates levied on their property; or
  - b) Grant to a specific category of owners of properties, or the owner of a specific category of properties, a rebate on or reduction in the rates payable in respect of their properties, as determined in clause 10
- 9.2 The municipality has determined the following categories of owners of properties
- a) Residential
  - b) Vacant land
  - c) Public benefit organization
  - d) Indigent owners
  - e) Pensioners
  - f) Disabled owners
  - g) Child headed households
  - h) Owners of properties affected by disaster
  - i) Municipal

## **PART TEN: RELIEF MEASURES FOR RATEPAYERS**

- 10.1 The municipality has considered the need and desire to grant relief to specific categories of owners of properties and owners of specific categories of properties with a view to providing appropriate measures to alleviate the rates burden on them. The Municipality therefore grants Exemptions, Rebates and Reductions, on categories of owners, based on local conditions and circumstances. No category of owner shall qualify for multiple rebates.

10.2 The municipality will not grant relief in respect of the payment of rates other than by way of an exemption, rebate or reduction provided for in this policy and granted in terms of section 15 of the Act to:

10.2.1 A specified category of property; or

10.2.2 A specified category of owner of property as provided for hereunder.

10.3 The municipality will not grant relief to the owners of property on an ad hoc or individual basis. For the purposes of rates policy the Municipality has determined the following **categories of owners (of property)** with criteria for relief measures included under Part 10 –

**a) Indigent Owners**

**b) Pensioner Owner**

**c) Disable Owner**

**d) Child Headed Households**

**e) Property owned by public benefit organisations**

**f) Owners of properties affected by a disaster**

The council may approve further categories of owners if required.

## **PART ELEVEN: RELIEF MEASURES FOR OWNER CATEGORIES AND PROPERTY USE CATEGORIES.**

The municipality has identified the following use categories of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions to the owners of these categories of property in terms of section 15 of the Act:

The municipality has identified the following categories of owners of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions in terms of section 15 of the Act:

<b>11.1 Indigent Owners</b>		
<b>11.1.1 Criteria</b>	In order to qualify as an indigent owner, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	Not own any other property within Emadlangeni municipality;
	(d)	Have an income threshold as defined in the Council's Customer Care policy;
	(e)	Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar coded ID
<b>11.1.2 Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council's discretion, dependent on budgetary affordability factors.

<b>11.2 Pensioner Owners</b>		
<b>11.2.1 – Criteria</b>	In order to qualify as a pensioner owner, the owner must:	
	(a)	Be at least 60 years of age;
	(b)	For a residential category of property be the sole owner of the property or own the property jointly with his/her spouse;
	(c)	Not be granted more than one pensioner rebate at a time;
	(d)	Live permanently on the property;
	(e)	Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar coded ID.

<b>11.2.2 – Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council’s discretion, dependent on budgetary affordability factors.
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<b>11.3 Disabled Owners</b>		
<b>11.3.1 – Criteria</b>	In order to qualify as a disabled person, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	May not own any other property within the Emadlangeni municipality;
	(d)	Have an income threshold as defined in the Council’s Customer Care Policy;
	(e)	Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar coded ID.
<b>11.3.2 – Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council’s discretion, dependent on budgetary affordability factors.

<b>11.4 Child-Headed Households</b>	
<b>11.4.1 Criteria</b>	A household may be recognized as a child-headed household if it is deemed to fit the definition as contained at the beginning of this policy, and the owner must -
	(a) Live permanently on the property;
	(b) May not own any other property within the Emadlangeni municipality;
	(c) Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar

	coded ID.	
<b>11.4.2 Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council's discretion, dependent on budgetary affordability factors.

<b>11.5 Properties Owned by Public Benefit Organizations' (PBO)</b>		
<b>11.5.1 Criteria</b>	In order to qualify owners shall be registered as a Public Benefit Activities as listed in Part 1 of the 9 <sup>th</sup> Schedule to the Income Tax Act and must -	
	(a)	Make application in writing annually in the prescribed format;
	(b)	Provide proof of ownership of the property and registration as a Public Benefit Organisation in terms of the Income Tax Act conducting one or more of the following specified public benefit activities listed in Part 1 of the 9 <sup>th</sup> Schedule: <ul style="list-style-type: none"> <li>• welfare and humanitarian; or</li> <li>• health care; or</li> <li>• education.</li> </ul>
	(c)	Owners of property meeting the criteria shall pay the PBO category of property tariff as published annually.
<b>11.5.2 Relief Granted</b>	The PBO tariff would comply with prescribed ratios	PBO tariff to be determined by Council at its discretion, dependent on budgetary affordability factors.

**Note:** It is noted that this position is motivated by the need for non-profit organizations who **are not** registered in terms of the 9<sup>th</sup> schedule, Income Tax Act, to register with SARS in order to be eligible for rates relief.

<b>11.6 Owners of properties affected by a disaster or other serious adverse social or economic conditions</b>	
<b>11.6.1 Criteria</b>	The owner of any category of property may make application for the consideration of a reduction in the municipal valuation of his/her property as contemplated in section 15 of the Act, where it is contended that the market value of the property is being affected by -
	(a) A disaster within the meaning of the Disaster Management Act (57 of 2002); or
	(b) Any other serious adverse social or economic conditions as may be defined and determined by the Council.
	(c) To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.
<b>11.6.2 Relief Granted</b>	<p>The relief provided will be in the form of a reduction in the municipal valuation of the property in relation to a certificate issued for this purpose by the Municipal Valuer, effective from the date of the disaster.</p> <p>The resultant reduction in the quantum of the rates payable will be for the current financial year only and calculated on a pro-rata basis from the date of the disaster or adverse conditions to the end of the financial year.</p>

The above relief shall be subject to the following conditions –

- (i) All applications for relief must be in writing in the prescribed form and must reach the Municipality before 30 April preceding the year of rates implementation;
- (ii) The Municipal Manager or his/her nominee must process and approve compliant applications;
- (iii) The Municipality retains the right to refuse a rebate, reduction or exemption if the details supplied on the application form are incomplete, incorrect or false;

- (iv) Where applicable for relief the use of any land or buildings, or any part thereof, shall not be for the private pecuniary benefit of any individual, whether as a shareholder in a company or otherwise;
- (v) Where applicable for relief, if during the currency of any financial year, any such land or building is used for any purpose other than the purpose for which it was so exempted, the Municipality shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use; and
- (vi) Once the Application is granted, the Applicant is required to submit annually, an affidavit confirming the use or ownership of the property as the case may be.

## **PART TWELVE: OTHER EXEMPTIONS, REBATES AND REDUCTIONS**

12.1 The municipality has exempted in total from payment or rates the following categories or properties;

12.1.1 Properties registered in the name of an used primarily as a place of public worship by a religious community including an official residence also registered in the name of the community, which is occupied by an office bearer who officiates at services at that place of public worship.

12.1.2 Properties owned by owners registered a no profit organisations

12.2 It is recorded that the municipality is precluded in terms of section 17(1)(h) of the Act from levying rates on the first R15 000 on the market value of the property assigned in the valuation roll or supplementary valuation roll of the municipality to a category determined by the municipality:

12.2.1 For residential properties

12.2.2 Vacant residential properties

12.3 The municipality has resolved to further reduce the value upon which rates will be levied by an amount not exceeding R 125 000 in respect of improved residential properties

#### 12.4 REBATES FOR CATEGORIES OR PROPERTIES

The municipality has resolved to grant rebates to the categories of properties below:

##### Schedule of the Categories of Properties Granted Rebates:

Category of Property	Percentage Rebate of Rates
Residential	20%
Industrial	10%
Agriculture	50%
Business	10%
Public Service Infrastructure	30%
Vacant Land zoned Residential	10%

#### 12.5 ELECTIVE EXEMPTION

The municipality has resolved to grant elective exemption to the categories of properties below:

##### Schedule of the Categories of Properties Granted Rebates:

Category of Property	Amount exempted of Rates
Residential	R 125 000
Industrial	R 45 000
Agriculture	R 45 000
Business	R 45 000
Vacant Properties	R 45 000

#### 12.6 REBATES FOR CATEGORIES OF OWNERS OF PROPERTIES

The municipality has resolved to grant the following rebates, to the following categories of owners of properties in additional to the rebate granted to the category of properties in 11.1 above.

Category of Owner	Percentage Rebate
A pensioner	50%
Disabled persons	50%
Indigent persons	100%
Child Headed Households	100%

## **PART THIRTEEN: MULTIPLE PURPOSE PROPERTIES**

- 13.1 A municipality will conduct assessment/valuations according to any or all of the following:
- (a) permitted use;
  - (b) dominant use;
  - (c) pro-rata according to multiple uses.
- 13.2 The municipality determine the value of properties based on one of the following criteria namely:
- 13.2.1 the permitted us;
  - 13.2.2 the dominant use;
  - 13.2.3 pro rata based on the various multi-purpose usage.
- 13.3 It is recorded that this municipality has determined that for the purpose of assessing the value of multi purpose properties the following criteria will apply:
- 13.3.1 option 13.2.1 will apply only in respect of vacant land which has not been put to any use. In this instance the zoning or permitted use prevails. If indeterminate, then the valuer will establish the Highest and Best Use of the property;
  - 13.3.2 dominant usage as in 13.2.2 will be determined by the valuer as a basis for determining the use category. Dominant in this instance shall be the measured extent under use (land and/or buildings).
- 13.4 Properties will be assessed on dominant use where at least 66% of that property is used for a particular purpose. The entire property will be assigned to that category of usage and the value will be addressed based on that usage only.
- 13.5 This municipality has resolved that:
- 13.5.1 generally properties will be assigned to a category based on its dominant usage, provided that:

- 13.5.2 in the case of State and Trust Land the different usage will be assessed pro rata and assigned to a category.

## **PART FOURTEEN: COMMUNITY PARTICIPATION**

- 14.1 This municipality will comply with its community participation and consultation obligations in terms of Chapter 4 of the Municipal Systems Act and Section 4 and 5 of the Act before the Rates Policy or any review thereof is finally adopted. In terms of Chapter 4 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) the municipality is committed to:
  - 14.1.1 building capacity of the local community to enable it to participate in the affairs of the municipality; and
  - 14.1.2 to foster community participation for which the municipality will allocate funds in its budget for such processes.
- 14.2 The participation by the local community in municipal affairs will take place through the political structures; the mechanisms, processes and procedures for participation in municipal governance and any other appropriate mechanisms processes and procedures established by the municipality and generally to apply the provisions for participation as required by this act.
- 14.3 The municipality will provide for:
  - 14.3.1 The receipt, processing and consideration of petitions, objections and comments lodged by the members of the local community;
  - 14.3.2 Public meetings and hearings by the municipal council and other political structures (e.g. ward committees) and political office bearers of the municipality;
  - 14.3.3 Consultative sessions with locally recognized community organisations and where appropriate, traditional authorities.
- 14.4 Communication with the public relating to the Rates Policy will be in terms of Section 4(2) of the Act by notice in:

- 14.4.1 local newspapers circulating in its area and determined by this council as a newspaper of record; and /or
- 14.4.2 official notice boards and other public places accessible to the public including the library and the municipal offices;
- 14.4.3 on the municipal website; and
- 14.4.4 inviting the local community to submit comments and representations within the time specified in the notice.

## **PART FIFTEEN: RECOVERY OF RATES**

- 15.1 The following people shall be liable for the payment of rates levied by the municipality:
  - 15.1.1 owner of a property;
  - 15.1.2 joint owners of a property, who shall be liable jointly and severally;
  - 15.1.3 the owner of a sectional title unit; and
  - 15.1.4 in relation to agricultural properties:
    - 15.1.4.1 any one joint owner of the agricultural property for all the rates levied on the agricultural property; or
    - 15.1.4.2 each individual joint owner for that portion of rates levied on the joint owner's undivided share in the agricultural property, whichever option the municipality may choose in relation to agricultural properties.
- 15.2 In terms of Section 26 of the Act the municipality will recover rates:
  - 15.2.1 on a monthly basis or as may be prescribed in terms of the Municipal Finance Management Act, which rate must be paid in each period determined by the municipality.
- 15.3 The municipality will furnish each person liable for the payment of rates with a written account in terms of Section 27 of the Act.
- 15.4 A municipality may recover rates in arrears from tenants and occupiers in accordance with the provisions of Section 28 of the Act.

- 15.5 A municipality may recover rates due, either whole or in part, from the agent of the owner if this is more convenient for the municipality and in terms of Section 29 of the Act.
- 15.6 The municipality will charge 1,5% interest on outstanding property rates on monthly basis.

#### **PART SIXTEEN: CONSOLIDATION AND APPORTIONMENT OF PAYMENTS**

Separate accounts of persons liable for payment to the municipality for either rates or service may be consolidated in one account and any appropriation of payments will be done in accordance with the municipality's credit control policy.

#### **PART SEVENTEEN: DEFEREMENT OF RATES**

- 17.1 The municipality will on application defer the payment of rates in terms of section 26(3) of the Act under the following special circumstances. To qualify for deferment of rates, the Applicant:-
- 17.1.1 must be a pensioner, indigent, disabled, over 60 years of age, or who is not above 60 year of age, but has or has been retired from employment by reason of any illness or disability certified by a medical practitioner, dentist, psychologist, intern or intern psychologist contemplated in the Medical, Dental and Supplementary Health Service Professions Act, 1974 (Act 56 of 1974), and whose income from all sources whatsoever must not exceed R42 000 per annum (including the income of the spouse, if applicable) and the property must be an undeveloped RDP house on its original form;
- 17.2.2 must reside permanently on the property concerned;
- 17.2.3 must be the registered owner of the property.
- 17.2 Application must be made annually in writing on the prescribed form:

- 17.2.1 not later than the final date for payment of such rates provided that the council may in special circumstances grant a deferment of the payment of rates after the final date for such payment notwithstanding that such application was made after such final date for payment.
- 17.3 Deferment will be considered provided that the total amount of all rates so deferred together with accumulated interest accumulated thereon shall not at any time exceed 50% of the value of the property concerned shown in the valuation roll.
- 17.4 The final date for payment of the rates on the property concerned shall not be affected by reason of any application for deferment in terms of subsection 17.2 above, provided that if the council allows such application, the portion of the rates in respect of which payment is deferred shall be refunded to the applicant.
- 17.5 The accumulated amount of the deferred rates shall bear interest at a rate determined from time to time by the council and the council may also approve the waiver of such interest.
- 17.6 Only the current year's rate can be considered for deferment and then only if the Applicant's rates are not in arrears.
- 17.7 Any deferment granted in terms of here shall terminate immediately:-
- 17.7.1 upon the death of the registered owner; provided that the council may continue such deferment, in any case where it is established to its satisfaction that the property concerned has been inherited by the surviving spouse and that such spouse is continuing in occupation of the property;
- 17.7.2 upon the expropriation, sale or other disposal of the property concerned;
- 17.7.3 upon the owner ceasing to reside permanently on the property concerned;
- 17.7.4 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 concerned, after allowing for the amount of the deferment; and
- 17.7.5 on expiry of the period of deferment.

**PART EIGHTEEN: IMPERMISSIBLE RATES IN TERMS OF SECTION 17 OF THE ACT**

- 18.1 It is recorded that the municipality may not, in terms of Section 17 of the Act levy a rate on –
- 18.1.1 The first 30% of the market value of public service infrastructure;
  - 18.2.2 Mineral rights within the meaning of paragraph 18.1.2 of the definition of “property” in Section 1;
  - 18.2.3 A property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds;
  - 18.2.4 The first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality –
    - 18.2.4.1 For residential purposes; or
    - 18.2.4.2 For properties used for multiple purposes, provided one or More components of the property are used for residential Purposes; or
  - 18.2.5 on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

**PART NINETEEN: CONSTITUTIONALLY IMPERMISSIBLE RATES**

- 19.1 The Act provides that in terms of Section 229(2)(a) of the Constitution a municipality may not exercise its power to levy rates on property in a way that would materially and unreasonably prejudice –
- 19.1.1 National economic policies;
  - 19.1.2 Economic activities across its boundaries; or
  - 19.1.3 The national mobility of goods, services, capital or labour.

## **PART TWENTY: NEWLY RATED PROPERTY**

- 20.1 Any property which was not previously rated must be phased in subject to the conditions that:
- 20.1.1 property registered in the name of a land reform beneficiary must be phased in after the exclusion period in section 17(1)(g);
- 20.1.2 property owned by Public Benefit Organisations must be phased in over a period of four financial years provided that the municipality may extend this period on written application to the MEC.
- 20.2 The phasing in period shall be as set out in the attached table.

### **Applicable rates for properties to be phased in over four years:**

#### **(Public Benefit Organizations)**

<b>Year</b>	<b>Percentage Rates Payable</b>
First	Zero %
Second	25%
Third	50%
Fourth	75%

### **Applicable rates for properties to be phased in over three years:**

#### **Newly Rateable Properties**

<b>Year</b>	<b>Percentage Rates Payable</b>
First	25%
Second	50%
Third	75%

SIGNED BY ACCOUNTING OFFICER

.....  
GN MAVUNDLA

DATE



**EMADLANGENI LOCAL MUNICIPALITY**



**SUPPLY CHAIN MANAGEMENT  
POLICY 2025-26**

**Approved and adopted by council on**

**..... 2025**

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### **Definitions**

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

**“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 provincial legislature;

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

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

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

**“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 and amendments to the regulations regarding Supply Chain Management ;

**“highest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has the highest price compared to other tenders;

**“lowest acceptable tender”** means a tender that complies with all specifications and conditions of tender and that has lowest price compared to other tenders;

**“price”** means an amount of money tendered for goods or services, and includes all applicable taxes less all unconditional discounts;

**“Rand value”** means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

**“specific goals”** means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994;

**“tender”** means a written offer in the form determined by an organ of state in response to an invitation to provide goods or services through price quotations, competitive tendering process or any other method envisaged in legislation;

**“tender for income-generating contracts”** means a written offer in the form determined by an organ of state in response to an invitation for the origination of income-generating contracts through any method envisaged in legislation that will result in a legal agreement between the organ of state and a third party that produces revenue for the organ of state, and includes, but is not limited to, leasing and disposal of assets and concession contracts, excluding direct sales and disposal of assets through public auctions; and

**“PPFA”** means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

**“PPR”** means the Preferential Procurement Policy Framework Regulations 2022

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

**Supply chain management policy**

2. (1) All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –
- (a) gives effect to –
    - (i) section 217 of the Constitution; and
    - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
  - (b) is fair, equitable, transparent, competitive and cost effective;
  - (c) complies with –
    - (i) the SCM Regulations; and
    - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
  - (d) is consistent with other applicable legislation;
  - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
  - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) This Policy applies when the municipality –
- (a) procures goods or services;
  - (b) dispose of 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 maximize 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 sub-delegation of powers and duties delegated to an accounting officer in terms of sub-paragraph (1).

(3) The Accounting Officer may not sub-delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality.

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

#### **Sub-delegations**

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

- (2) The power to make a final award –
- (a) above R10 million (all applicable taxes) may not be sub-delegated by the Accounting Officer;
  - (b) above R2 million (Including all applicable taxes), but not exceeding R10 million (Including all applicable taxes), may be sub-delegated but only to –
    - (i) Chief Financial Officer.
    - (ii) a Senior Manager
    - (iii) a bid adjudication committee of which the Chief financial officer or a Senior Manager is a member; or
  - (c) not exceeding R2 million (Including all applicable taxes) may be sub-delegated but only to –
    - (i) Chief Financial Officer;
    - (ii) Other departments Senior Managers; or
    - (iii) a bid adjudication committee.

(3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the Accounting Officer 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) Sub-paragraph (3) of this paragraph does not apply to procurements out of petty cash.

(5) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to make a final award in a

competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

(6) No supply chain management decision-making powers may be delegated to an advisor or consultant.

**Oversight of the role of council**

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

(2) For the purposes of such oversight the Accounting Officer must –

(a) (i) within 30 days of the end of each financial year, submit a report on the implementation of this policy, to the council of Emadlangeni Local Municipality; and

(ii) whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council.

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

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

**Supply chain management unit**

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

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

**Training of supply chain management officials**

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

## CHAPTER 2

### SUPPLY CHAIN MANAGEMENT SYSTEM

#### **Format of supply chain management system**

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

#### *Part 1: Demand management*

#### **System of demand management**

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

## *Part 2: Acquisition management*

### **System of acquisition management**

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

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

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

- (a) 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.

(3) Goods or services procured in terms of section 110(2) of the MFMA must be made public stating the fact that the municipality procures such goods or services otherwise than through the SCM system, including-

- a) The kind of goods or services
- b) The name of the supplier.

### **Range of procurement processes**

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

(a) petty cash purchases, up to a transaction value of R2000 (Including all applicable taxes);

(b) Procurement above the Petty cash threshold up to R300 000 (VAT included) are “formal written quotations”. This means the following:

- The provisions of regulation 17 must be adhered to;
- The provision of regulation 18(a) is still applicable, which reads as follows: “that all requirements in excess of R30 000 (VAT included) that are procured by means of formal written price quotation must, in addition to the requirements of regulation 17, be advertised for at least seven days on the website and an official notice board of the municipality”

(c) a competitive bidding process for–

(i) procurement above a transaction value of R300 000 (Including all applicable taxes); and

(2) The Accounting Officer may, in writing-

(a) lower, but not increase, the different threshold values specified in subparagraph (1); or

(b) direct that –

(i) formal written price quotations be obtained for any specific procurement of a transaction value lower than R2 000; or

(ii) a competitive bidding process be followed for any specific procurement of a transaction value lower than the competitive bidding thresholds specified in sub regulation (1)(c)(i).

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

### **General preconditions for consideration of formal written quotations or bids**

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

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

### **Lists of accredited prospective providers**

14. (1) A supply chain management policy must –
- (a) instruct the accounting Officer must –
    - (i) to keep a list of accredited prospective providers of goods and services that must be used for the procurement requirements of the municipality or municipal entity through formal written price quotations; and
    - (ii) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite

prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers;

- (b) specify the listing criteria for accredited prospective providers. With effect from 1 July 2016, the municipality uses the Central Supplier Database (CSD ) supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective provider; and
  - (c) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.

in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations.

#### **Petty cash purchases**

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

- (a) The Chief Financial Officer may, in writing, delegate the responsibility to monitor Petty Cash purchases to the Accountant: Revenue/Income Officer.

- (b) Goods and services may only be procured by way of petty cash, up to a transaction value of R2 000 (Including all applicable taxes) and not exceeding R200 Including all applicable taxes) per person, per day.
- (c) A petty cash requisition form must be used for all petty cash purchases. These forms shall be pre-numbered and recorded accordingly in the petty cash register. The petty cash requisition form must include the following:
  - (i) Reason for petty cash;
  - (ii) Amount requested (not exceeding R200 per person, per day);
  - (iii) Vote number;
  - (iv) Person requesting an item; and
  - (v) Authorized by Head of Department
- (d) Urgent and emergency cases will be accommodated where immediate action is required to avoid a dangerous or life-threatening situation, misery or want or any other cases which may require immediate action to be taken to proactively avoid a negative impact on service delivery.
- (e) The use of petty cash float is strictly confined to individual cash purchases of up to a maximum of R200.00 per transaction per day, unless authorized by the Chief Financial Officer.
- (f) The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit.
- (g) Original invoices or cash slips must be submitted to the official responsible for petty cash after such purchases have taken place.
- (h) The face of the original invoice or cash slip must contain the following:
  - The words "tax invoice" in a prominent place,
  - Trading name, address and VAT registration number of the supplier (where applicable),
  - Serialized tax invoice number/reference,

- Date of the tax invoice,
  - Name and address of the recipient \_eMadlangeni Local Municipality (where applicable),
  - VAT registration number of the recipient (where applicable),
  - Accurate description of the good or services supplied,
  - Quantity of good or services supplied,
  - Total selling price charged including VAT. The VAT must be shown separately (where applicable).
- (h) Failure by any official to submit the invoices or cash slips within the period of 5 days from the date when petty cash was issued (This period will exclude public holidays and weekends that fall within it) will result in such total amount of purchases being recovered from the salary of the requisitioner (Non-Refundable/Non-Reversible).
- (i) Certain types of transactions may be excluded from the petty cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and traveling claims, loans, payment of personal remuneration to any person whatsoever, instalment invoices, etc.
- (j) The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not be purchased each time by means of petty cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for boardrooms committee meetings if those items are required on a regular basis.
- (k) Petty cash must not be used to circumvent normal procurement processes
- (l) a monthly reconciliation report from the Expenditure Accountant must be submitted 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.** Has been deleted in line with the amended regulations gazette No. 4198 of the government gazette No. 49863 on the 14<sup>th</sup> December 2024.

### **Formal written quotations**

**17.1** (1) the conditions for the procurement of goods or services through formal written price quotations are as follows:

- (a) Quotations above R2000.00 up to R 300 000.00 must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality.
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the Accounting Officer or an official designated by the Accounting Officer,
- (d) the Accounting Officer must record the names of the potential providers and their written quotations, and

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

**Procedures for procuring goods or services through formal written price quotations**

**18.** (1) The procedure for the procurement of goods or services through 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 formal written procurements must be concluded in line Preferential Procurement Regulations 2022 unless Petty-cash threshold have been used.
- (c) acceptable offers, which are subject to the preference points system (Preferential Procurement Policy Framework Act (PPPFA) and its regulations PPR ), must be awarded to the bidder who scored the highest points or in line with Preferential regulations;
- (d) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (e) the Accounting Officer or chief financial officer must on a monthly basis be notified in writing of all formal written price quotations accepted by an official acting in terms of a sub delegation;
- (f) All requirements in excess of R 30 000 (Including all applicable taxes) that are to be procured by means of formal written price quotations must, in addition to the requirement of regulation 17, be advertised for at least seven days in the municipal website and official notice board of the municipality or municipal entity.
- (g) The accounting officer must take all reasonable steps to ensure that the procurement of goods and services through formal written price quotations is not abused.
- (h) for proper record keeping and audit purposes, the following documentation must be kept by Finance and department procuring goods or services;
  - (i) the authorized purchase requisition produced by the department requiring goods and services.
  - (ii) formal written price quotations

- (iii) the order authorized by the Chief Financial Officer and the Accounting Officer.
- (iv) formal signed delivery note submitted by the successful supplier.
- (v) formal invoice or certificate of work performed submitted by the successful supplier.
- (vi) goods received voucher, as prepared by expenditure: creditors section.
- (vii) the cheque voucher prepared by the Accountant: Expenditure and authorized by the Chief Financial Officer.
- (viii) the authorized payment cheque.
- (ix) Any minutes of a bid resolution by the Bid Adjudication.
- (x) Proof of authorized direct payment (cash focus) processed for each transaction

### **Competitive bids**

19. (1) Goods or services above a transaction value of R300 000 (Including all applicable taxes) 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 R300 000 (Including all applicable taxes), 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 with which bid documentation for a competitive bidding process must comply –

- (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 (CIDB), in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;

- (d) if the value of the transaction is expected to exceed R10 million (Including all applicable taxes), 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 Emadlangeni Local Municipality is expected to be transferred out of the Republic; and
- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.

**Public invitation for competitive bids**

- 22.** (1) The procedure for the invitation of competitive bids, is as follows:
- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of

the municipality or any other appropriate ways (which may include an advertisement on e - tenders and CIDB; 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 (Including all applicable taxes), 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 sub-paragraph (2) of this policy;
  - (ii) a statement that bids may only be submitted on the bid documentation provided by Emadlangeni Local Municipality; and
  - (iii) date, time and venue of any proposed site meetings or briefing sessions.;
  - (iv) statement stating that no late bid proposal will be accepted.
  - (v) Where functionality and preference will apply, must comply with PPPFA and its regulations.

(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 and indicated in a manner prescribed by the municipality
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

### **23. Procedure for handling, opening and recording of bids**

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

- (a) Bids–
  - (i) must be opened only in public;
  - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
  - (iii) received after the closing time should not be considered and returned unopened immediately.
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out.
- (c) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The Accounting Officer must –
  - (i) record in a register all the names of bidders 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 municipal manger 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.

(3) The municipal manager may delegate the negotiation process by appointing the negotiations committee.

(4) Process for negotiating with preferred bidders after a competitive bidding process or price quotation:

(4.1)

(a) Delegations and threshold values for negotiating by the accounting officer / negotiations committee.

(b) Negotiating may not allow any preferred tenderer a second or unfair opportunity

(c) Is not to the detriment of any other tenderer

(d) Does not lead to higher price than the bid as submitted

(4.2) The municipality must include in the tender documents a condition stating clearly that the award of the tender may be subjected to price negotiation with the preferred tenderers

(4.3) The Bid Evaluation Committee may indicate in its report to the Bid Adjudication Committee that based on the evaluation the prices offered are above market related prices after factoring the premium to be paid in terms of the 80/20 or 90/10 preference point system and the findings of an objective market analysis conducted.

(4.4) When the Bid Adjudication Committee considers the Evaluation report it must express itself on whether it agrees or disagrees with the Bid Evaluation Committee; if it disagrees, the decision must be recorded and reasons provided as part of the Bid Adjudication Committee report.

(4.5) Where the Bid Adjudication Committee agrees with the BEC or on its own assessment is of the view that the tenderer is charging prices higher than the fair market price, the Bid Adjudication Committee may request from the AO/AA or delegated authority to subject the tender to price negotiations with the three preferred tenderers scoring the highest points (from first highest to third highest) before award is made.

(4.6) Upon approval to negotiate, the AO/AA or delegated authority must appoint a cross functional negotiation team, with one member appointed to be team leader.

(4.7) The negotiating team leader must ensure that all members of the negotiating team are clear on the negotiating strategy and desired outcomes.

(4.8) Negotiations must be fair and objective and may not be used to unfairly prejudice the highest scoring / preferred tenderer or any other tenderer.

(4.9) Members of the negotiating team must behave ethically at all material times during and after negotiations, may not divulge any information related to negotiations to third parties without prior consent from the accounting officer/ authority.

(4.10) All negotiations must be officially closed with a decision communicated and agreed between parties before moving to negotiate with the next preferred tenderer.

#### **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 26, 27 and 28 of this Policy; and
- (b) any other applicable legislation.

(5) The Accounting Officer may apply the committee system to formal written price quotations.

### **Bid specification committees**

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

(2) Specifications –

- (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;

- (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized 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 2022 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:

- (a) At least four officials of the municipality who must serve as standing members; one from the Supply Chain Management Unit and the other from Technical Services.
- (b) an official may be co-opted from the end user department preferably a manager and a knowledgeable official responsible for the function involved;
- (c) may invite external specialized expert.
- (d) must be appointed in writing for a period of 12 months which is in line with the financial year end of the municipality, subject to the annual reviewal

of this policy;

- (e) the quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member.

(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) At least four officials of the municipality who must serve as standing members; one from the Supply Chain Management Unit.
- (b) an official may be co-opted from end user department preferably a manager and a knowledgeable official responsible for the function involved;
- (c) may invite an external specialized expert;
- (d) must be appointed for a period of 12 months which is in line with the financial year end of the municipality, subject to the annual reviewal of this policy

- (e) the quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member.

### **Bid adjudication committees**

- 29.** (1) A bid adjudication committee must –
- (a) consider the report and recommendations of the bid evaluation committee; and
  - (b) either –
    - (i) depending on its delegations, make a final award or a recommendation to the Accounting Officer to make the final award; or
    - (ii) make another recommendation to the Accounting Officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior managers of the municipality which must include –
- (a) Chief financial Officer as the chairperson
  - (b) A Senior SCM Practitioner
  - (c) An official from the Technical Services of the municipality
  - (d) may invite external specialized expert.
  - (e) the quorum must be equal to 50% of the number of permanent (as opposed to co-opted) committee members, plus one member.
- (3) The Accounting Officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the deputy chairperson who is elected by the Accounting Officer must 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 with respect to awards based on paragraph 5 above.

### **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 (Including all applicable taxes); or
- (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (Including all applicable taxes).

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

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

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

- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
- (b) there is no reason to believe that such a 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 wherever 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. Emadlangeni Local Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- 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 procurement is made.

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

- (a) the value of the contract exceeds R300 000 (Including all applicable taxes); or
- (b) the duration period of the contract exceeds one year.

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

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

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

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

36. (1) The Accounting Officer may –

(a) dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- (i) in an emergency;
- (ii) if such goods or services are produced or available from a single provider only;

- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
  - (iv) acquisition of animals for zoos and/or nature and game reserves; or
  - (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The Accounting Officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note 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 demonstrable 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 Emadlangeni Local Municipality to the bid may be entered into or signed within 30 days of the submission.

**Combating of abuse of supply chain management system**

- 38.** (1) The Accounting Officer must–
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
  - (b) investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
    - (i) take appropriate steps against such an official or other role player; or
    - (ii) report any alleged criminal conduct to the South African Police Service;
  - (c) check the National Treasury’s database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
  - (d) reject any bid from a bidder–
    - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
    - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
  - (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract and has also committed a corrupt or fraudulent act in competing for the particular contract as per Section 4(1) and (2) of the Competition Act.
  - (f) cancel a contract awarded to a person if –

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

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

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

#### **Logistics management**

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

- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
- (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;

- (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
- (d) before payment is approved, certification by the responsible Head of Department 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's performance to ensure compliance with specifications and contract conditions for particular goods or services.

#### **Disposal management**

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

- (i) An obsolescence plan must be determined for each asset to ensure that when the asset can no longer be maintained or used for its original purpose, that there is a plan to replace it.
- (ii) A renewal plan must be determined for assets that have reached the end of its useful life.
- (iii) Asset disposal decisions must be made within an integrated, service and financial planning framework.

- (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) Emadlangeni Local Municipality must establish a disposal strategy to determine the best mechanism of disposal for each asset and the Accounting Officer must ensure that –

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

### **Risk management**

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

(a) risk management aspect must be allocated to the Chief Financial Officer, the SCM practitioners, the internal audit function and the Audit Committee, each of which shall ultimately be accountable to the Accounting Officer or the Council for the discharge of their responsibilities.

(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 authorized 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. Prohibition on awards to persons whose tax matters are not in order**

(1) The Accounting Officer must ensure that, irrespective of the procurement process followed, no award for formal written quotations with a Rand value equal to or below R50 million and above R 50 million, is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.

(2) If a municipality / municipal entity is in possession of a supplier's original valid tax clearance certificate or Tax Compliance Status with a PIN number through National Treasury Central Supplier Database or MBD1 bidding document, it is not necessary to obtain a new tax clearance certificate or a TAX compliance status with a PIN number each time a price quotation or bid is submitted from that specific supplier. This provision may be applied only if the closing date of the price quotation or bid falls within the expiry date of the tax clearance certificate or a Tax compliance status with a PIN number that is in the municipality's / municipal entity's possession including but not limited to Central Supplier Database record. Cross-reference must be made to the original tax clearance certificate or Tax compliance status with a PIN number for audit purposes.

Where the recommended bidder is not tax compliant, the bidder should be notified of their non-compliant status and the bidder must be requested to submit to the municipality or municipal entity, within 7 working days, written proof from SARS of their tax compliance status or proof from SARS that they have made an arrangement to meet their outstanding tax obligations. The proof of tax compliance status submitted by the bidder to the municipality or municipal entity must be verified via the CSD or e-Filing.

The accounting officer should reject a bid submitted by the bidder if such a bidder fails to provide proof of tax compliance status within the timeframe stated above.

#### **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 Emadlangeni Local Municipality.

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

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

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

#### **Ethical standards**

46. (1) A code of ethical standards as set out in 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 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 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.

- (3) To uphold ethical standards the following must be ensured; -
- (a) All declarations in terms of sub regulation 2(d) and (e) of Local Government: MFMA, 2003 SCM Regulations must be recorded in a register which the accounting must keep for this purpose;
  - (b) All declarations by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register; and
  - (c) Measures to warrant that appropriate action is taken against any official or other role player who commits a breach of the code of ethical standards.

(4) All supply chain management practitioners and other role players involved in supply chain management are to sign a code of ethical standards as set out in the “National Treasury’s code of conduct

**Inducements, rewards, gifts and favors to municipalities, officials and other role players**

47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to Emadlangeni Local Municipality for or in connection with the award of a contract; or
  - (b) any reward, gift, favour or hospitality to –
    - (i) any official; or

(ii) any other role player involved in the implementation of this Policy.

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

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

### **Sponsorships**

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

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

### **Objections and complaints**

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

- (a) if the objection or complaint is against the procurement process, submit a written objection or complaint against the decision or action to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the independent and impartial person referred to in paragraph 50 for resolution or

### **Resolution of objections and complaints against procurement process**

**50.** (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes, to assist in the resolution of objections and complaints between the municipality and any other person regarding -

- (a) the implementation of the procurement process in terms of the supply chain management system; or
- (b) any matter arising from the implementation of the procurement process in terms of the supply chain management system.

(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 objections and complaints received; and
- (b) submit monthly reports to the accounting officer on all such objections and complaints received, attended to or resolved.

(4) An objection or complaint may be referred to the KwaZulu-Natal Provincial Treasury if:

- (a) the objection or complaint 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 objection or complaint may be referred to the National Treasury for resolution.

### **Contracts providing for compensation based on turnover**

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

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

### **52. THE PREFERENTIAL POINT SYSTEM**

(1) All procurement of goods, services and works are to be in compliance with this policy.

(2) The unit responsible for the management of this policy is the Supply Chain Management Unit.

(3) All Unit Heads responsible for the procurement of goods, services and/or works are, however, responsible for compliance with this policy within their areas of control, and will be held accountable where transgressions to policy are encountered.

#### **(4) Identification of preference point system**

(4.1) The Municipality must in its tender documents, stipulate—

- (a) the applicable preference point system as envisaged in 4 (3); (4) and (5) below;
- (b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

(4.2) If it is unclear whether the 80/20 or 90/10 preference point system applies, the Municipality must in its tender documents, stipulate in the case of—

- (a) an invitation for tender for income-generating contracts, that either the 80/20 or

(4.3) 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

- (b) any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

**(4.4) 80/20 preference point system for acquisition of goods or services with Rand value equal to or below R50 million**

(4.4.1) The following formula must be used to calculate the points out of 80 for price in respect of an invitation for a tender with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$P_s = 80 \left[ 1 - \frac{(P_t - P_{min})}{P_{min}} \right]$$

*Where:*

$P_s$  = Points scored for comparative price of the bid under consideration;

$P_t$  = Price of tender under consideration; and

$P_{min}$  = Price of lowest acceptable tender.

(4.4.2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

**(4.5) 90/10 preference point system for acquisition of goods or services with Rand value above R50 million**

(4.51) the price in respect of bids (including price quotations) with an estimated Rand value of greater than R50 000 000 (all applicable taxes included):

$$P_s = 90 \left[ 1 - \frac{(P_t - P_{min})}{P_{min}} \right]$$

Where:

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

(4.5.2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

(3) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(4) Subject to section 2(1)(f) of the Act, the contract must be awarded to the tenderer scoring the highest points.

**(4.6) 80/20 preference points system for tenders for income-generating contracts with Rand value equal to or below R50 million**

(4.6.1) The following formula must be used to calculate the points for price in respect of an invitation for tender for income-generating contracts, with a Rand value equal to or below R50 million, inclusive of all applicable taxes:

$$Ps = 80 \left[ 1 + \frac{(Pt - Pmax)}{Pmax} \right]$$

Pmax

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of highest acceptable tender.

(4.6.2) A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender.

(c) The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

(d) Subject to section 2(1)(f) of the PPPFA, the contract must be awarded to the tenderer scoring the highest points.

**(4.7) 90/10 preference point system for tenders for income-generating contracts with Rand value above R50 million are as follows:**

(4.7.1) The following formula must be used to calculate the points for price in respect of a tender for income-generating contracts, with a Rand value above R50 million, inclusive of all applicable taxes:

$$P_s = 90 \left[ 1 - \frac{P_t - P_{\max}}{P_{\min} - P_{\max}} \right]$$

$P_{\max}$

Where-

$P_s$  = Points scored for price of tender under consideration;

$P_t$  = Price of tender under consideration; and

$P_{\min}$  = Price of highest acceptable tender.

(4.7.2) A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender.

The points scored for the specific goal must be added to the points scored for price and the total must be rounded off to the nearest two decimal places.

Subject to section 2(1)(f) of the PPPFA, the contract must be awarded to the tenderer scoring the highest points.

(4.7.3) After considering the representations referred to in sub regulation (1)(b), the organ of state may, if it concludes that such information is false—

- (a) disqualify the tenderer or terminate the contract in whole or in part; and
- (b) if applicable, claim damages from the tenderer.

#### **(5) The Basket of Preference Goals**

(a.) The basket of preference goals as contained in the relevant legislation are listed hereunder and the Municipality is at liberty to apply specific goals in any combination format depending on their preference targets. Municipality may include in their policy specific goals as part of their tendering conditions.

## **(5.1.) Preference Goal 1**

### **(5.1.1) Ownership as specific goal**

A maximum of 20 points (80/20 preference points system) or 10 (90/10) preference points system), may be allocated. Bidder may score preference points based on company ownership.

If the Municipality applies ownership as specific goal, the Municipality must advertise the tender with a specific tendering preferential procurement requirement that in order for a tenderer to claim 10 / 20 points for specific goals, a tendering company must have the following ownership:

- race, (Historically Disadvantaged Persons) or
- gender (Historically Disadvantaged Persons) or;
- disability (Historically Disadvantaged Persons).

Ownership verification may be conducted through the Companies and Intellectual Property Commission (CIPC and CSD report).

## **(5.2.) Preference Goal 2**

### **(5.2.1.) RDP Goals**

Over and above the awarding of preference points in favour of HDIs, the following activities may be regarded as a contribution towards achieving the goals of the RDP (published in Government Gazette No. 16085 dated 23 November 1994):

- a. The promotion of South African owned enterprises.
- b. The promotion of export orientated production to create jobs.
- c. The promotion of SMMEs.
- d. The creation of new jobs or the intensification of labour absorption.
- e. The promotion of enterprises located in a specific province for work to be done or services to be rendered in that province.

- f. The promotion of enterprises located in a specific region for work to be done or services to be rendered in that region.
- g. The promotion of enterprises located in a specific municipal area for work to be done or services to be rendered.
- h. The promotion of enterprises located in rural areas;
- i. The empowerment of the work force by standardising the level of skill and knowledge of workers.
- j. The development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- k. The upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.

The Municipality may also use other RDP goals identified in the Government Gazette No. 16085 dated 23 November 1994;

<https://www.gov.za/sites/default/files/governmentgazetteid16085.pdf>

### **(5.3.) Preference Goal 3**

#### **(5.3.1) Combinations of any other Goals**

The Municipality may also combine any specific goals above in a manner that will help them evaluate and apply preference points to tenders.

The SCM Manager or CFO or Accounting Officer or bid specification committee shall set appropriate Local Economic Development Targets in the form of Contract Participation Goals and or Targeted Procurement objectives which must form part of the invitation to tender, set as performance criteria within contracts, where appropriate, for the following target groups:

- (a) Priority population groups
- (b) Women
- (c) Youth
- (d) Disabled
- (e) Co-operatives
- (f) Military Veterans
- (g) Location of a Business Enterprise

Tender(s) received need to be evaluated in terms of the preference point system first. Once the highest points scorer has been ascertained only then the targeted procurement will be applied. Targeted Procurement will justify the award of tender to a tenderer with lower preference points score.

Targeted Procurement Criteria will be applied, where feasible, on a tender-by-tender basis.

In an event where a tender with the highest number of preference points score does not meet the targeted procurement criteria set for the specific tender, then the next responsive tender with a lower preference points score and who meets targeted procurement criteria must be considered for the award of a tender.

If the tendered price of the next responsive tender who meets the targeted procurement criteria is too high than that of a tender with a highest number of preference points score, the municipality must ensure that a cost effective price is derived through employing one of the following options through a negotiation process with the preferred bidder:

That the next responsive tender who meets targeted procurement criteria accepts the lowest responsive price of a tender that did not meet the targeted procurement criteria

OR

That the next responsive tender accepts a tender price that is market related as was determined by the Municipality through the budgeting process of the tender itself.

Where negotiations fail the Municipality reserves the right to cancel the tender or consider the highest scoring bid in terms of preference points scoring.

Address declared by the prospective bidder in the National Treasury Central Supplier Database (CSD) or in Emadlangeni Municipality Vendor Portal shall be used to determine the location of a business enterprise.

The preference points system is still to be used on the sale or letting of assets and in accordance with the disposals management section of this policy.

## **6. Criteria for breaking deadlock in scoring**

(6.1) If two or more tenderers score an equal total number of points, the contract must be awarded to the tenderer that scored the highest points for specific goals.

(6.2) If two or more tenderers score equal total points in all respects, the award

must be decided by the drawing of lots.

#### **(7.) Remedies**

(7.1) If an organ of state is of the view that a tenderer submitted false information regarding a specific goal, it must—

(a) inform the tenderer; accordingly, and

(b) give the tenderer an opportunity to make representations within 14 days as to why the tender may not be disqualified or, if the tender has already been awarded to the tenderer, the contract should not be terminated in whole or in part.

#### **53. MANAGEMENT OF EXPANSION OR VARIATION OF ORDERS AGAINST THE ORIGINAL CONTRACT**

The Accounting Officer must as far as possible refrain from extending/expanding contracts and allowing a variation order as this increases risk, reflects possible flaws in planning and creates an uncompetitive environment that may possibly unfairly prejudice other possible vendors. The accounting Officer should only be granting extensions if it makes economic sense and provided that it can be justified in terms of fairness, equitableness, transparency, competitiveness and cost effectiveness.

In order to mitigate such practices contracts may be expanded or varied by not more than 20% for construction-related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract. Furthermore, anything beyond the abovementioned thresholds must be reported to the council or the board of directors

#### **54. Municipal rates and services**

Where the recommended bidder's municipal rates and service are in arrears for more than 3 months, the bidder should be notified of their status and the bidder must be requested to

settle their accounts within 7 working days and submit to the municipality or municipal entity, within 7 working days, a statement of their municipal account as proof or a letter that they have made an arrangement with the municipality to settle the outstanding account.

## **55. Establishment and Invitation of Panel members.**

### **1. Establishment of a List of Approved Service Suppliers**

1.1. Where consultancy services are required on a recurring basis, a panel of consultants/list of approved service suppliers for the rendering of these services may be established. These panels/lists should be established through the competitive bidding process, usually for services that are of a routine or simple nature where the scope and content of the work to be done can be described in detail.

1.2. Requirements for admission to the list and criteria should be linked to the numeric value in terms of which applicants will be measured, for example qualifications, experience, acceptability, facilities and resources, etc. A pre-determined standard method of awarding points should be followed.

1.3. The applications received should be evaluated and any rejection of applicants should be motivated and recorded.

1.4. Once the panel/list of service suppliers has been approved, only the successful applicants are approached, depending on the circumstances, either by obtaining quotes on a rotation basis, or according to the bid procedure when services are required, with the exception that the requirement is not advertised again.

2. Method when procuring from a panel/ list of approved service providers:

2.1. Normal SCM processes should be followed from requisition to purchase order stage.

(a) Request for quotations will be sent to all panel members for quotations above R2000.00 up to R 300 000.00

2.2. For request above R 300 000, competitive bidding process will be followed.

(a) (i) Appointment of panel for MIG and INEP contractors will be done on rotational basis depending on the number of panel member.

(ii) The selection criteria will be based on the listed sequentially, according to CSD registration numbers (MAAA Numbers)

(b) Appointment of panel for MIG and INEP consultants will be done on rotational basis depending on the number of panel member

(i) The selection criteria will be based on the maximum scoring on the functionality criteria and the lowest percentage offered.

(ii) If two or more panel members score equal total points in terms of paragraph 55 (2) (b) (i), the award must be decided by the drawing of lots. Minutes of such must be kept for record purposes.

SIGNED BY ACCOUNTING OFFICER

.....  
G.N. MAVUNDLA

DATE:

# EMADLANGENI MUNICIPALITY



## RATES POLICY

**2025-26**

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## **RATES POLICY DOCUMENT**

### **PART ONE: PREAMBLE**

#### **WHEREAS:**

In terms of section 229(1) of the Constitution of the Republic of South Africa (Act 108 of 1996), the municipality has the power to levy rates on property in its area.

The Municipality must, in accordance with the provision of section 3 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) and Section 62 of the Local Government: Municipal Finance Management Act 56 of 2003, the municipality should adopt and implement a rates policy on the levying of rates on rateable properties.

The Council of the Emadlangeni Municipality has resolved to levy rates on the market value of all rateable properties in its area of jurisdiction, as reflected in its property register compiled in terms of section 23 of the Municipal Property Rates Act 2004 (Act No. 6 of 2004), in order to provide a reliable source of revenue to provide basic services and perform its functions.

## **PART TWO: DEFINITIONS**

Any words and phrases referred to in this policy shall have the same meaning and interpretation assigned in terms of the Municipal Property rates Act 6 of 2004 (“the Act”) and for this purpose lists hereunder the definitions used in the Act.

In this Act, unless the context indicates otherwise –

“**Act**”, means Local Government: Municipal property Rates Act, No.6 of 2004

“**Agent**”, in relation to the owner of a property, means a person appointed by the owner of the property –

- (a) to receive rental or other payments in respect of the property on behalf of the owner; or
- (b) to make payments in respect of the property on behalf of the owner’

“**agricultural property**”, means property that is used primarily for agricultural purpose but without derogating from section 9 of the MPRA, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game;

“**Annually**” means once every financial year;

“**Appeal board**” means a valuation appeal board established in terms of section 56 of the Act;

“**Assistant municipal valuer**” means a person designated as an assistance municipal valuer in terms of section 35(1) or (2);

“**Category**” –

- (a) In relation to property, means a category of properties determined in terms of section 8; and
- (b) In relation to owners of properties, means a category of owners determined in terms of section 15(2);

“**data-collector**” means a person designated as a data-collector in terms of section 36 of the Act;

“**Date of valuation**” means the date determined by a municipality in terms of section 31(1) of the Act;

**“Day”**, means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on a Saturday, Sunday or any public holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday;

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

**“Effective date”** –

- (a) in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1); or
- (b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b);

**“Exclusion”**, in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17;

**“Exemption”**, in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15;

**“Financial year”** means the period starting from 1 July in a year to 30 June the next year;

**“Income Tax Act”** means the Income Tax Act, 1962 (Act No. 58 of 1962);

**“Land reform beneficiary”**, in relation to a property, means a person who –

- (a) acquired the property through –
  - (i) The Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or
  - (ii) The Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
- (b) Holds the property subject to the Communal property Associations Act, 1996 (Act No. 28 of 1996); or
- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after this Act has taken effect;

**“land tenure right”** means land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991(Act No.112 of 1990)

**“Local community”**, in relation to a municipality –

- (a) Means that body of persons comprising –

- (i) The residents of the municipality;
  - (ii) The ratepayers of the municipality;
  - (iii) Any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and
  - (iv) Visitors and other people residing outside the municipality who, because of their presence in the municipality, make use of services or facilities provided by the municipality; and
- (b) Includes, more specifically, the poor and other disadvantaged sections of such body of persons;

**“Market value”**, in relation to a property, means the value of the property determined in accordance with section 46;

**“MEC for local government”** means the Member of the Executive Council of a province who is responsible for local government in that province;

**“Mining Property”**, Means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002( Act no.28 of 2002)

**“Minister”** means the Cabinet member responsible for local government;

**“Multiple purposes”**, in relation to a property, means the use of a property for more than one purpose, subject to Section 9 of the Act;

**“Municipal council” or “council”** means a municipal council of Emadlangeni Municipality

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

**“Municipal manager”** means a person appointed in terms of section 82 of the Municipal Structures 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 valuer” or “valuer of a municipality”** means a person designated as a municipal valuer in terms of section 33(1);

**“newly rateable property”** means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding -

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

**“Occupier”**, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

**“Office bearer”**, in relation to places of public worship means the primary person who officiates at services at the place of worship;

**“Official residence”**, in relation to place of worship, means

- (a) A portion of property used for residential purpose; or
- (b) One residential property used for residential property is not located on the same property as place of worship,

Registered in the name of religious community or registered in a trust established for the sole benefit of a religious community and used as a place of residence for the office bearer;

**“Organ of state”** means an organ of state as defined in section 239 of the Constitution;

**“Owner”** –

- (a) In relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
  - (b) In relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984;

- (bB) in relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, 1980 (Act No. 59 of 1980);
- (bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) In relation to public service infrastructure referred to in paragraph (d) of the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
- (i) A trustee, in the case of a property in a trust excluding state trust land;
  - (ii) an executor or administrator, in the case of a property in a deceased estate;
  - (iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
  - (iv) A judicial manager, in the case of a property in the state of a person under judicial management;
  - (v) A curator, in the case of a property in the estate of a person under curatorship;
  - (vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
  - (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
  - (viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or

- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

**“Permitted use”**, in relation to a property, means the limited purposes for which the property may be used in terms of –

- (a) Any restrictions imposed by
  - (i) A condition of title;
  - (ii) A provision of a town planning or land use scheme; or
  - (iii) Any legislation applicable to any specific property or properties; or
- (b) Any alleviation of any such restrictions;

**“Person”** includes an organ of state;

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

- (a) Registered in the name of the religious community;
- (b) Registered in the name of a trust established for the sole benefit of a religious community; or
- (c) Subject to a land tenure right;

**“Prescribe”** means prescribe by regulation in terms of section 83 of the Act;

**“Property”** means –

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

**“Property register”** means a register of properties referred to in section 23 of the Act;

**“Protected area”** means an area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act;

**“Protected Areas Act”** means the National Environmental Management : Protected Areas Act, 2003;

**“Public Benefit Organization”**, Means a property where the dominant activity is listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of part 1 of ninth Schedule to the Income tax Act

**“Publicly controlled”** means owned by or otherwise under the control of an organ of state, including –

- (a) a public entity listed in the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- (b) a municipality; or
- (c) a municipal entity as defined in the Municipal Systems Act;

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

- (a) National, provincial or other public roads on which goods, services or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) Power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) Railway lines forming part of a national railway system;
- (f) Communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways, aprons and the air control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant to air navigation purposes;

**"Public service purposes"**, in relation to the use of a property, means property owned and used by an organ of state as—

- (a) Hospitals or clinics;
- (b) Schools, pre-schools, early childhood development centres or further education and training colleges;
- (c) National and provincial libraries and archives;
- (d) Police stations;
- (e) Correctional facilities; or
- (f) Courts of law,

but excludes property contemplated in the definition of "public service infrastructure";

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

**"rateable property"** means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Act;

**ratio"**, in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category;

**"Rebate"**, in relation to a rate payable on a property, means a discount granted in terms of section 15 on the amount of the rate payable on the property;

**“reduction”**, in relation to a rate payable on a property, means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount;

**“Register”** –

- (a) Means to record in a register in terms of –
  - (i) The Deeds Registries Act, 1937 (Act No. 47 of 1937); or
  - (ii) The Mining Titles Registration Act, 1967 (Act No. 16 of 1967);And
- (b) includes any other formal act in terms of any other legislation to record –
  - (i) a right to use land for or in connection with mining purposes; or
  - (ii) a land tenure right;

**“residential property”** means a property included in a valuation roll in terms of section 48(2)(b) of the Act, in respect of which the primary use of permitted use is for residential purpose without derogating from section 9 of the Act;

**“Sectional Titles Act”** means the Sectional Titles Act, 1986 (Act No. 95 of 1986);

**“Sectional title scheme”** means a scheme defined in section 1 of the Sectional Titles Act;

**“Sectional title unit”** means a unit defined in section 1 of the Sectional Titles Act;

**“smallholding”** for the purposes of this policy means an agricultural holding smaller than a farm in close proximity to urban development which in the opinion of the valuer is classified as such;

**“Specified public benefit activity”** means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of Part 1 of the Ninth Schedule to the Income Tax Act;

**“State trust land”** means land owned by the state –

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

**“This Act”** includes regulations made in terms of section 83.

- (a) 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.

### **Other Definitions**

**“Child headed household”** means any child who is or is a blood relative of the owner of the property and which child is responsible for the care of siblings or parents.

**“Disabled”** means a person who qualifies to receive relief in terms of the Social Services Act 1992 (Act No. 59 of 1992) or has been certified as disabled by a medical practitioners;

**“Indigent owner”** means an owner of property who is in permanent occupation of the property and qualifies for indigent relief in terms of the municipality’s indigent policy;

**“The Municipality”** means the Emadlangeni Municipality;

**“Owners of property in an area affected by a disaster”** means owners of property situated within an area affected by;

- (a) Disaster within the meaning of the **Disaster Management Act 57 of 2002**;
- (b) Any other serious adverse social or economic conditions;

**“Pensioner”** means

- (a) a person in receipt of a social pension; or
- (b) a person over the age of 60 years; or
- (c) a person who has retired prematurely from employment due to medical

reasons.

**“Retiree”** means a person who has retired from employment in terms of that person’s employment or who has reached the age of a pensioner;

**“Temporarily without income”** means;

- (a) In the case of an employee –
- (i) The period of which the person is entitled to benefits in terms of the Unemployment Insurance Act; or
- (ii) 90 days whichever is the longer; or
- (b) in any other case, a period of 90 days determined from the date of application by that person for relief in terms of the Municipality’s policy;

**“Non-profit organizations”** means any organization which is registered in terms of the Non-profit Organisations Act.

### **PART THREE: THE PURPOSE OF THIS POLICY**

3. The purpose of this policy is to:

- 3.1 comply with the provisions Section 3 of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004);
- 3.2 give effect to the principles outlined above;
- 3.3 determine the methodology and to prescribe procedures for the implementation of the Act;
- 3.4 determine criteria to be applied for the levying of differential rates for different categories of properties;
- 3.5 determine or provide criteria for the determination of categories of properties and categories of owners of properties for categories of properties;
- 3.6 determine criteria to be applied for granting exemptions, rebates and reductions;
- 3.7 determine how the municipality’s powers must be exercised in relation to multi purpose properties;
- 3.8 determine measures to promote local economic and social development; and
- 3.9 identify which categories or properties the municipality has elected not to rate as provided for in Section 7 of the Act.

### **PART FOUR: FUNDAMENTAL PRINCIPLES OF THIS POLICY**

The principle of the Act are to regulate the power of the municipality to impose rates on property; to exclude certain properties from rating in the national interest; to make provision for municipalities to implement a transparent and fair valuation method of properties; to make provision for an objection and appeal process

**The principles of the policy are to ensure that: -**

- 4.1 the power of the municipality to impose rates on property will not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities or the national mobility of goods services, capital or labour in terms of Section 229 of the Constitution of the Republic of South Africa;
- 4.2 all ratepayers, in a specific category, as determined by council from time to time, will be treated equitably;
- 4.3 property rates will be assessed on the market value of all rateable properties in the jurisdiction of the municipality and for the purpose of generating revenue to balance the budget after taking into account;
  - 2.3.1 Profits generated on trading and economic services; and
  - 2.3.2 The amounts required to finance exemptions, rebates and reductions of rates as approved by council from time to time;
- 4.4 property rates will not be used to subsidise trading and economic services;
- 4.5 The rates income generated by the municipality will take into account relief measures to address the social and economic needs of the community;
- 4.6 this Policy was developed in consultation with the community and in compliance with a process of community participation in terms of Chapter 4 of the Municipal Systems Act.

**PART 5: IMPLEMENTATION OF THIS POLICY AND EFFECTIVE DATE**

- 5.1 This policy takes effect from 01 July being the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and must accompany the municipality's budget for the financial year.
- 5.2 The Rates Policy must be reviewed annually, and if necessary amended by the Municipal Council, such amendments to be effected in conjunction with the

Municipality's annual budget in terms of Sections 22 and 23 of the Municipal Financial Management Act.

- 5.3 The Municipality has adopted by-laws to give effect to the implementation of its Rates Policy and such by-laws must be read in conjunction with this policy. The rates by-laws may differentiate between:
  - 5.3.1 Categories of properties; and
  - 5.3.2 Categories of owners of properties.
- 5.4 The by-laws adopted in terms of Item 1.3 may be reviewed annually, and if necessary be amended by the Municipal Council, in conjunction and in accordance with the Rates Policy.

#### **PART SIX: EQUITABLE TREATMENT OF RATE PAYERS**

- 6.1 This municipality is committed to treating all ratepayers on an equitable basis. "Equitable" does not necessarily mean "equal" treatment of ratepayers. The circumstances of each category of owner or category of property will be considered in a fair manner, and within the limitations set out in the Act. The municipality may adopt measures to ensure equitable and fair treatment of ratepayers.
- 6.2 Any differentiation in levying rates must not constitute unfair discrimination.

#### **PART SEVEN: DISCRETIONARY DECISIONS ADOPTED BY THE MUNICIPALITY WITH RESPECT TO LEVYING OF RATES**

It is recorded that the Municipality has adopted the following resolutions:

- 7.1 To levy rates on all rateable property in its area of jurisdiction.
- 7.2 To determine the date of implementation as provided above.
- 7.3 To determine the date of general valuation as 1 July 2018.
- 7.4 To levy different cents in the rand for different categories of rateable property.

- 7.5 That the categories of properties for the purpose of differential rating referred to in 5.4 above are those specified in Appendix 1 attached hereto.
- 7.6 That the criteria for the assessment of market value in terms of Section 8(1) shall be actual use.
- 7.7 To determine whether the valuations for multiple purpose usage will be assessed according to the dominant use of the property.
- 7.8 To rate public service infrastructure.

## **PART EIGHT: CATEGORIES OF RATEABLE PROPERTY AND DIFFERENTIAL RATING**

- 6.1 The municipality may levy different Rates to different categories of properties for this municipality is those specified in Appendix 1.
- 6.2 The categories of property are determined according to the actual use of the property and the property shall be rated on such actual use
- 6.3 A change in the use of property may result in a change in category of property
- 6.4 Differential rating among the various property categories may be executed by different rate randages for each property category.
- 6.5 The municipality has determined the following categories of property
  - a) Agriculture properties used for agricultural purpose
  - b) Business and commercial properties
  - c) Industrial properties
  - d) Mining properties
  - e) Municipal properties
  - f) Public benefit organisations
  - g) Public service infrastructure
  - h) Public Service Purpose
  - i) Residential properties
  - j) Vacant Properties
  - k) Public worship

## **PART 9: CATEGORIES OF OWNERS**

- 9.1 The municipality may in terms of the criteria set out in this policy
- a) Exempt a specific category of property of owners of properties, or owner of a specific category of properties, from payment of rates levied on their property; or
  - b) Grant to a specific category of owners of properties, or the owner of a specific category of properties, a rebate on or reduction in the rates payable in respect of their properties, as determined in clause 10
- 9.2 The municipality has determined the following categories of owners of properties
- a) Residential
  - b) Vacant land
  - c) Public benefit organization
  - d) Indigent owners
  - e) Pensioners
  - f) Disabled owners
  - g) Child headed households
  - h) Owners of properties affected by disaster
  - i) Municipal

## **PART TEN: RELIEF MEASURES FOR RATEPAYERS**

- 10.1 The municipality has considered the need and desire to grant relief to specific categories of owners of properties and owners of specific categories of properties with a view to providing appropriate measures to alleviate the rates burden on them. The Municipality therefore grants Exemptions, Rebates and Reductions, on categories of owners, based on local conditions and circumstances. No category of owner shall qualify for multiple rebates.

10.2 The municipality will not grant relief in respect of the payment of rates other than by way of an exemption, rebate or reduction provided for in this policy and granted in terms of section 15 of the Act to:

10.2.1 A specified category of property; or

10.2.2 A specified category of owner of property as provided for hereunder.

10.3 The municipality will not grant relief to the owners of property on an ad hoc or individual basis. For the purposes of rates policy the Municipality has determined the following **categories of owners (of property)** with criteria for relief measures included under Part 10 –

**a) Indigent Owners**

**b) Pensioner Owner**

**c) Disable Owner**

**d) Child Headed Households**

**e) Property owned by public benefit organisations**

**f) Owners of properties affected by a disaster**

The council may approve further categories of owners if required.

## **PART ELEVEN: RELIEF MEASURES FOR OWNER CATEGORIES AND PROPERTY USE CATEGORIES.**

The municipality has identified the following use categories of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions to the owners of these categories of property in terms of section 15 of the Act:

The municipality has identified the following categories of owners of properties and the requisite criteria for the purposes of granting exemptions, rebates or reductions in terms of section 15 of the Act:

<b>11.1 Indigent Owners</b>		
<b>11.1.1 Criteria</b>	In order to qualify as an indigent owner, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	Not own any other property within Emadlangeni municipality;
	(d)	Have an income threshold as defined in the Council's Customer Care policy;
	(e)	Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar coded ID
<b>11.1.2 Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council's discretion, dependent on budgetary affordability factors.

<b>11.2 Pensioner Owners</b>		
<b>11.2.1 – Criteria</b>	In order to qualify as a pensioner owner, the owner must:	
	(a)	Be at least 60 years of age;
	(b)	For a residential category of property be the sole owner of the property or own the property jointly with his/her spouse;
	(c)	Not be granted more than one pensioner rebate at a time;
	(d)	Live permanently on the property;
	(e)	Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar coded ID.

<b>11.2.2 – Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council’s discretion, dependent on budgetary affordability factors.
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<b>11.3 Disabled Owners</b>		
<b>11.3.1 – Criteria</b>	In order to qualify as a disabled person, the owner must:	
	(a)	Be the sole owner of the property or own the property jointly with his/her spouse;
	(b)	Live permanently on the property;
	(c)	May not own any other property within the Emadlangeni municipality;
	(d)	Have an income threshold as defined in the Council’s Customer Care Policy;
	(e)	Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar coded ID.
<b>11.3.2 – Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council’s discretion, dependent on budgetary affordability factors.

<b>11.4 Child-Headed Households</b>	
<b>11.4.1 Criteria</b>	A household may be recognized as a child-headed household if it is deemed to fit the definition as contained at the beginning of this policy, and the owner must -
	(a) Live permanently on the property;
	(b) May not own any other property within the Emadlangeni municipality;
	(c) Make application annually on the prescribed form and within the prescribed period and submit a valid RSA bar

	coded ID.	
<b>11.4.2 Relief Granted</b>	Percentage Rebate or reduction on the market value of the property	A rebate or reduction may be applied at the Council's discretion, dependent on budgetary affordability factors.

<b>11.5 Properties Owned by Public Benefit Organizations' (PBO)</b>		
<b>11.5.1 Criteria</b>	In order to qualify owners shall be registered as a Public Benefit Activities as listed in Part 1 of the 9 <sup>th</sup> Schedule to the Income Tax Act and must -	
	(a)	Make application in writing annually in the prescribed format;
	(b)	Provide proof of ownership of the property and registration as a Public Benefit Organisation in terms of the Income Tax Act conducting one or more of the following specified public benefit activities listed in Part 1 of the 9 <sup>th</sup> Schedule: <ul style="list-style-type: none"> <li>• welfare and humanitarian; or</li> <li>• health care; or</li> <li>• education.</li> </ul>
	(c)	Owners of property meeting the criteria shall pay the PBO category of property tariff as published annually.
<b>11.5.2 Relief Granted</b>	The PBO tariff would comply with prescribed ratios	PBO tariff to be determined by Council at its discretion, dependent on budgetary affordability factors.

**Note:** It is noted that this position is motivated by the need for non-profit organizations who **are not** registered in terms of the 9<sup>th</sup> schedule, Income Tax Act, to register with SARS in order to be eligible for rates relief.

**11.6 Owners of properties affected by a disaster or other serious adverse social or economic conditions**

<p><b>11.6.1 Criteria</b></p>	<p>The owner of any category of property may make application for the consideration of a reduction in the municipal valuation of his/her property as contemplated in section 15 of the Act, where it is contended that the market value of the property is being affected by -</p> <table border="1"> <tr> <td data-bbox="624 573 724 689">(a)</td> <td data-bbox="724 573 1445 689">A disaster within the meaning of the Disaster Management Act (57 of 2002); or</td> </tr> <tr> <td data-bbox="624 689 724 848">(b)</td> <td data-bbox="724 689 1445 848">Any other serious adverse social or economic conditions as may be defined and determined by the Council.</td> </tr> <tr> <td data-bbox="624 848 724 1093">(c)</td> <td data-bbox="724 848 1445 1093">To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.</td> </tr> </table>	(a)	A disaster within the meaning of the Disaster Management Act (57 of 2002); or	(b)	Any other serious adverse social or economic conditions as may be defined and determined by the Council.	(c)	To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.
(a)	A disaster within the meaning of the Disaster Management Act (57 of 2002); or						
(b)	Any other serious adverse social or economic conditions as may be defined and determined by the Council.						
(c)	To retain the relief the owner must apply annually for a review in April, preceding the year of rates implementation. The municipal valuer may at his/her discretion amend the market value if the property is reinstated and deemed habitable.						
<p><b>11.6.2 Relief Granted</b></p>	<p>The relief provided will be in the form of a reduction in the municipal valuation of the property in relation to a certificate issued for this purpose by the Municipal Valuer, effective from the date of the disaster.</p> <p>The resultant reduction in the quantum of the rates payable will be for the current financial year only and calculated on a pro-rata basis from the date of the disaster or adverse conditions to the end of the financial year.</p>						

The above relief shall be subject to the following conditions –

- (i) All applications for relief must be in writing in the prescribed form and must reach the Municipality before 30 April preceding the year of rates implementation;
- (ii) The Municipal Manager or his/her nominee must process and approve compliant applications;
- (iii) The Municipality retains the right to refuse a rebate, reduction or exemption if the details supplied on the application form are incomplete, incorrect or false;

- (iv) Where applicable for relief the use of any land or buildings, or any part thereof, shall not be for the private pecuniary benefit of any individual, whether as a shareholder in a company or otherwise;
- (v) Where applicable for relief, if during the currency of any financial year, any such land or building is used for any purpose other than the purpose for which it was so exempted, the Municipality shall impose rates thereon or on such portion so used, at a rate proportionate to the period of such use; and
- (vi) Once the Application is granted, the Applicant is required to submit annually, an affidavit confirming the use or ownership of the property as the case may be.

## **PART TWELVE: OTHER EXEMPTIONS, REBATES AND REDUCTIONS**

12.1 The municipality has exempted in total from payment or rates the following categories or properties;

12.1.1 Properties registered in the name of an used primarily as a place of public worship by a religious community including an official residence also registered in the name of the community, which is occupied by an office bearer who officiates at services at that place of public worship.

12.1.2 Properties owned by owners registered a no profit organisations

12.2 It is recorded that the municipality is precluded in terms of section 17(1)(h) of the Act from levying rates on the first R15 000 on the market value of the property assigned in the valuation roll or supplementary valuation roll of the municipality to a category determined by the municipality:

12.2.1 For residential properties

12.2.2 Vacant residential properties

12.3 The municipality has resolved to further reduce the value upon which rates will be levied by an amount not exceeding R 125 000 in respect of improved residential properties

#### 12.4 REBATES FOR CATEGORIES OR PROPERTIES

The municipality has resolved to grant rebates to the categories of properties below:

##### Schedule of the Categories of Properties Granted Rebates:

Category of Property	Percentage Rebate of Rates
Residential	20%
Industrial	10%
Agriculture	50%
Business	10%
Public Service Infrastructure	30%
Vacant Land zoned Residential	10%

#### 12.5 ELECTIVE EXEMPTION

The municipality has resolved to grant elective exemption to the categories of properties below:

##### Schedule of the Categories of Properties Granted Rebates:

Category of Property	Amount exempted of Rates
Residential	R 125 000
Industrial	R 45 000
Agriculture	R 45 000
Business	R 45 000
Vacant Properties	R 45 000

#### 12.6 REBATES FOR CATEGORIES OF OWNERS OF PROPERTIES

The municipality has resolved to grant the following rebates, to the following categories of owners of properties in additional to the rebate granted to the category of properties in 11.1 above.

Category of Owner	Percentage Rebate
A pensioner	50%
Disabled persons	50%
Indigent persons	100%
Child Headed Households	100%

## **PART THIRTEEN: MULTIPLE PURPOSE PROPERTIES**

- 13.1 A municipality will conduct assessment/valuations according to any or all of the following:
- (a) permitted use;
  - (b) dominant use;
  - (c) pro-rata according to multiple uses.
- 13.2 The municipality determine the value of properties based on one of the following criteria namely:
- 13.2.1 the permitted us;
  - 13.2.2 the dominant use;
  - 13.2.3 pro rata based on the various multi-purpose usage.
- 13.3 It is recorded that this municipality has determined that for the purpose of assessing the value of multi purpose properties the following criteria will apply:
- 13.3.1 option 13.2.1 will apply only in respect of vacant land which has not been put to any use. In this instance the zoning or permitted use prevails. If indeterminate, then the valuer will establish the Highest and Best Use of the property;
  - 13.3.2 dominant usage as in 13.2.2 will be determined by the valuer as a basis  
for determining the use category. Dominant in this instance shall be the  
measured extent under use (land and/or buildings).
- 13.4 Properties will be assessed on dominant use where at least 66% of that property is used for a particular purpose. The entire property will be assigned to that category of usage and the value will be addressed based on that usage only.
- 13.5 This municipality has resolved that:
- 13.5.1 generally properties will be assigned to a category based on its dominant usage, provided that:

- 13.5.2 in the case of State and Trust Land the different usage will be assessed pro rata and assigned to a category.

## **PART FOURTEEN: COMMUNITY PARTICIPATION**

- 14.1 This municipality will comply with its community participation and consultation obligations in terms of Chapter 4 of the Municipal Systems Act and Section 4 and 5 of the Act before the Rates Policy or any review thereof is finally adopted. In terms of Chapter 4 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) the municipality is committed to:
  - 14.1.1 building capacity of the local community to enable it to participate in the affairs of the municipality; and
  - 14.1.2 to foster community participation for which the municipality will allocate funds in its budget for such processes.
- 14.2 The participation by the local community in municipal affairs will take place through the political structures; the mechanisms, processes and procedures for participation in municipal governance and any other appropriate mechanisms processes and procedures established by the municipality and generally to apply the provisions for participation as required by this act.
- 14.3 The municipality will provide for:
  - 14.3.1 The receipt, processing and consideration of petitions, objections and comments lodged by the members of the local community;
  - 14.3.2 Public meetings and hearings by the municipal council and other political structures (e.g. ward committees) and political office bearers of the municipality;
  - 14.3.3 Consultative sessions with locally recognized community organisations and where appropriate, traditional authorities.
- 14.4 Communication with the public relating to the Rates Policy will be in terms of Section 4(2) of the Act by notice in:

- 14.4.1 local newspapers circulating in its area and determined by this council as a newspaper of record; and /or
- 14.4.2 official notice boards and other public places accessible to the public including the library and the municipal offices;
- 14.4.3 on the municipal website; and
- 14.4.4 inviting the local community to submit comments and representations within the time specified in the notice.

## **PART FIFTEEN: RECOVERY OF RATES**

- 15.1 The following people shall be liable for the payment of rates levied by the municipality:
  - 15.1.1 owner of a property;
  - 15.1.2 joint owners of a property, who shall be liable jointly and severally;
  - 15.1.3 the owner of a sectional title unit; and
  - 15.1.4 in relation to agricultural properties:
    - 15.1.4.1 any one joint owner of the agricultural property for all the rates levied on the agricultural property; or
    - 15.1.4.2 each individual joint owner for that portion of rates levied on the joint owner's undivided share in the agricultural property, whichever option the municipality may choose in relation to agricultural properties.
- 15.2 In terms of Section 26 of the Act the municipality will recover rates:
  - 15.2.1 on a monthly basis or as may be prescribed in terms of the Municipal Finance Management Act, which rate must be paid in each period determined by the municipality.
- 15.3 The municipality will furnish each person liable for the payment of rates with a written account in terms of Section 27 of the Act.
- 15.4 A municipality may recover rates in arrears from tenants and occupiers in accordance with the provisions of Section 28 of the Act.

- 15.5 A municipality may recover rates due, either whole or in part, from the agent of the owner if this is more convenient for the municipality and in terms of Section 29 of the Act.
- 15.6 The municipality will charge 1,5% interest on outstanding property rates on monthly basis.

## **PART SIXTEEN: CONSOLIDATION AND APPORTIONMENT OF PAYMENTS**

Separate accounts of persons liable for payment to the municipality for either rates or service may be consolidated in one account and any appropriation of payments will be done in accordance with the municipality's credit control policy.

## **PART SEVENTEEN: DEFEREMENT OF RATES**

- 17.1 The municipality will on application defer the payment of rates in terms of section 26(3) of the Act under the following special circumstances. To qualify for deferment of rates, the Applicant:-
- 17.1.1 must be a pensioner, indigent, disabled, over 60 years of age, or who is not above 60 year of age, but has or has been retired from employment by reason of any illness or disability certified by a medical practitioner, dentist, psychologist, intern or intern psychologist contemplated in the Medical, Dental and Supplementary Health Service Professions Act, 1974 (Act 56 of 1974), and whose income from all sources whatsoever must not exceed R42 000 per annum (including the income of the spouse, if applicable) and the property must be an undeveloped RDP house on its original form;
  - 17.2.2 must reside permanently on the property concerned;
  - 17.2.3 must be the registered owner of the property.
- 17.2 Application must be made annually in writing on the prescribed form:

- 17.2.1 not later than the final date for payment of such rates provided that the council may in special circumstances grant a deferment of the payment of rates after the final date for such payment notwithstanding that such application was made after such final date for payment.
- 17.3 Deferment will be considered provided that the total amount of all rates so deferred together with accumulated interest accumulated thereon shall not at any time exceed 50% of the value of the property concerned shown in the valuation roll.
- 17.4 The final date for payment of the rates on the property concerned shall not be affected by reason of any application for deferment in terms of subsection 17.2 above, provided that if the council allows such application, the portion of the rates in respect of which payment is deferred shall be refunded to the applicant.
- 17.5 The accumulated amount of the deferred rates shall bear interest at a rate determined from time to time by the council and the council may also approve the waiver of such interest.
- 17.6 Only the current year's rate can be considered for deferment and then only if the Applicant's rates are not in arrears.
- 17.7 Any deferment granted in terms of here shall terminate immediately:-
- 17.7.1 upon the death of the registered owner; provided that the council may continue such deferment, in any case where it is established to its satisfaction that the property concerned has been inherited by the surviving spouse and that such spouse is continuing in occupation of the property;
- 17.7.2 upon the expropriation, sale or other disposal of the property concerned;
- 17.7.3 upon the owner ceasing to reside permanently on the property concerned;
- 17.7.4 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 concerned, after allowing for the amount of the deferment; and
- 17.7.5 on expiry of the period of deferment.

## **PART EIGHTEEN: IMPERMISSIBLE RATES IN TERMS OF SECTION 17 OF THE ACT**

- 18.1 It is recorded that the municipality may not, in terms of Section 17 of the Act levy a rate on –
- 18.1.1 The first 30% of the market value of public service infrastructure;
  - 18.2.2 Mineral rights within the meaning of paragraph 18.1.2 of the definition of “property” in Section 1;
  - 18.2.3 A property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary’s title was registered in the office of the Registrar of Deeds;
  - 18.2.4 The first R15 000 of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality –
    - 18.2.4.1 For residential purposes; or
    - 18.2.4.2 For properties used for multiple purposes, provided one or More components of the property are used for residential Purposes; or
  - 18.2.5 on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

## **PART NINETEEN: CONSTITUTIONALLY IMPERMISSIBLE RATES**

- 19.1 The Act provides that in terms of Section 229(2)(a) of the Constitution a municipality may not exercise its power to levy rates on property in a way that would materially an unreasonably prejudice –
- 19.1.1 National economic policies;
  - 19.1.2 Economic activities across its boundaries; or
  - 19.1.3 The national mobility of goods, services, capital or labour.

**PART TWENTY: NEWLY RATED PROPERTY**

20.1 Any property which was not previously rated must be phased in subject to the conditions that:

20.1.1 property registered in the name of a land reform beneficiary must be phased in after the exclusion period in section 17(1)(g);

20.1.2 property owned by Public Benefit Organisations must be phased in over a period of four financial years provided that the municipality may extend this period on written application to the MEC.

20.2 The phasing in period shall be as set out in the attached table.

**Applicable rates for properties to be phased in over four years:**

**(Public Benefit Organizations)**

<b>Year</b>	<b>Percentage Rates Payable</b>
First	Zero %
Second	25%
Third	50%
Fourth	75%

**Applicable rates for properties to be phased in over three years:**

**Newly Rateable Properties**

<b>Year</b>	<b>Percentage Rates Payable</b>
First	25%
Second	50%
Third	75%

SIGNED BY ACCOUNTING OFFICER

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GN MAVUNDLA

DATE

# **EMADLANGENI LOCAL MUNICIPALITY**



## **BORROWING POLICY**

**2025/26**

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## DEFINITIONS

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance management Act, 2003 (Act no. 6 of 2003) and / or other related legislation/regulations has the same meaning as in that Act.

- **Accounting Officer** Means the Municipal manager and vice versa.
- **Act** Means the Local government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).
- **Chief Financial Officer** Means an officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the Municipality.
- **Council or Municipality** Means the Municipal Council or Emadlangeni Municipality as referred to in Section 18 of the Municipal Structures Act.
- **Creditor** In relation to a Municipality, means any person or service provider to whom money is owed by the Municipality.
- **Debt** \_ a monetary liability of obligation created by a financing agreement, note, debenture, bond, overdraft or the issuance of municipal securities;  
\_ a contingent liability such as that created by guaranteeing a monetary liability or obligation of another.
- **Delegate** Means an official/person delegated to perform tasks on behalf of another person.
- **Financial Statement** Means statements consisting of at least
  - \_ A balance sheet (statement of financial position)
  - \_ An income statement (statement of financial performance)
  - \_ A cash-flow statement
  - \_ Any other statements that may be prescribed
  - \_ Any notes to these statements.
- **Financial Year** Means a year ending 30 June.
- **Financing Agreement** Means any long-term agreement, lease, and installment purchase contract or hire purchase agreement under which the Municipality undertakes to pay the capital cost of property, plant or equipment over a period of time.
- **Lender** In relation to a Municipality means a person or service provider who provides debt finance to a Municipality.
- **Long Term Debt** Means debt, which is repayable over a period exceeding 12 months.
- **Municipal Debt Instrument** Means any note, bond, debenture or other evidence of indebtedness issued by a Municipality, including virtual or electronic evidence of indebtedness intended to be used in raising debt.
- **Security** Means a lien, pledge, mortgage, cession or other form of collateral intended to secure the interest of a creditor.
- **Short Term Debt** Means a debt, which is repayable over a period not exceeding 12 months.

## **1. INTRODUCTION AND BACKGROUND**

The Municipality may only incur debt in terms of the Municipal finance management act, Act No 56 of 2003. The Municipality may incur two types of debt, namely short-term and long term debt.

### **1.1 Short Term Debt**

The Municipality may incur short-term debt only when necessary to bridge:

- a) Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistically anticipated income to be received within that financial year.
- b) Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The Municipality:

- a) Must pay off short term debt within a financial year
- b) May not renew or refinance its short-term debt.

### **1.2 Long Term Debt**

The Municipality may incur long-term debt for purposes of financing its long-term strategic objectives, as outlined in the Constitution of the Republic of South Africa, Act No 108 of 1996, and Chapter 7 on Local Government, to:

- a) Provide democratic and accountable government for local communities.
- b) Ensure the provision of services to communities in a sustainable manner.
- c) Promote social and economic development.
- d) Promote a safe and healthy environment
- e) Encourage the involvement of communities and community organizations in the matters of local government.

## **2. SCOPE AND APPLICATION**

This policy governs the taking up of new loans, as well as the maintenance and redemption of existing loans. It specifically applies to:

- a) Conditions under which Municipal debt maybe incurred.
- b) Security.
- c) Approvals.
- d) Internal Controls.
- e) Reporting and monitoring Procedures.
- f) Financial Viability.

## **3. OBJECTIVES**

The objectives of this policy are to:

- a) Ensure compliance with the relevant legal and statutory requirements relating to Municipal borrowing.
- b) Record the circumstances under which the Municipality may incur debt.
- c) Describe the conditions that must be adhered to by the Accounting Officer or his/her delegate when a loan application is submitted to Council for approval.
- d) Set out the internal control measures applicable to the maintenance and redemption of loans.
- e) Ensure timeous reporting on the loans register as required by the act and in accordance with Generally Recognized Accounting Practice.

f) Record the key performance indicators to ensure access to the money markets.

#### **4. CONDITIONS UNDER WHICH MUNICIPAL DEBT MAYBE INCURRED**

##### **4.1 Statutory Conditions**

The Municipality may incur debt, provided that:

- a) The debt is denominated in Rand and is not indexed to, or affected by fluctuations in the value of the Rand to other currencies (Section 47 (a) of the Act).
- b) The debt is approved by resolution of Council, signed by the Executive Mayor, and the Accounting officer has signed the agreement or other document, which creates or acknowledges the debt (Section 46 (2) of the Act).
- c) The Accounting Officer has, at least 21 days prior to the meeting of the Council at which the resolution is to be considered, published a notice in a newspaper of general circulation.
  - \_ Stating particulars of the draft resolution, including the amount of the loan, the purpose of the loan to be incurred and the particulars of any security to be provided (Section 46(3) (a) (i) of the Act).
  - \_ Inviting the public to submit written representations to the Council in respect of the draft resolution (section 46(3) (a) (ii) of the Act).
- d) The Accounting Officer has, prior to the adoption of the resolution, submitted an information statement to the Council setting out the purpose for which the debt is to be incurred, the anticipated total cost of credit over the repayment period, the essential repayment terms and particulars of any securities to be provided (Section 46(3)(b) of the Act).
- e) The relevant resolution was adopted at a meeting of the Council, which was open to the Public.
- f) Where Security is to be provided, the provisions of Section 6 below have been compiled with (Section 47(b) of the Act).

##### **4.2 Administrative Conditions**

- a) To obtain Council's approval for a bank overdraft, call bond or short-term loan, the Accounting Officer or his/her delegate must submit:
  - \_ A cash flow statement indicating the anticipated shortfalls and anticipated further income streams that will repay the short-term debt.
  - \_ Monthly cash-flow reports indicating progress towards the repayment of the bank overdraft, call bond or short-term loan.
- b) To obtain Council's approval for a long term loan, the Accounting Officer or his/her delegate must submit:
  - \_ The Bid committee's recommendation after having obtained and evaluated quotations from at least three financial institutions stating the loan period (repayment period), comparable interest rates and administrative costs.
  - \_ An operating budget reflecting the effect of the anticipated depreciation of the envisaged asset to be financed and / or capital costs on service charges.
  - \_ Statements from the financial institutions that the proposed instruments are in line with national legislation.

#### **5. SECURITY**

- a) The Municipality may, by a resolution of the Council, authorize security to be provided for any of its debt obligations.
- b) Without contravening the above point, the municipality when incurring debt may:

- \_ Undertake to maintain revenues or specific charges, fees, tariffs or funds at a particular level or at a level sufficient to meet its obligations arising from that debt.
  - \_ Undertake to effect payment directly from monies or sources that may become available and authorize direct access to such sources to ensure payment of those obligations.
  - \_ Undertake to make provision in its budget for the payment of those obligations, including capital and interest.
  - \_ Undertake to deposit funds with the lender or a third party as security for the debt.
  - \_ Agree to specific payment mechanisms or procedures to ensure exclusive or dedicated payment to lenders, including payments into special purpose fund/accounts or other payment mechanisms/procedures.
  - \_ Cede as security any category of revenue or rights to future revenue specified in the financing agreement or information statement contemplated in 5.1 (d) above.
  - \_ Undertake to have disputes resolved through mediation, arbitration or other dispute resolution mechanisms.
  - \_ Agree to restrictions on debt, which the Municipality may want to incur in future.
  - \_ Agree to such other arrangements, as the Municipality may consider necessary and prudent.
- c) A Council resolution authorizing the giving of security as referred to in Security (a):\_ must determine whether the asset or right with respect to which the security is given, is necessary for providing a minimum essential municipal service.
- \_ if so must indicate the manner in which the availability of the asset or right for the provision of that service will be protected.
- d) If the resolution has determined that the asset or right is necessary for providing a minimum essential, the lender to whom the Municipal security is given, may not, in the event of a default by the Municipality, deal with the asset or right in the manner that would preclude or impede the continuation of the minimum essential municipal service.
- e) A determination in terms of Security (c) that an asset or right is not necessary for providing a minimum essential municipal service is binding on the Municipality until the secured debt has been paid in full.

## 6. APPROVAL

- a) Once Council approves the loan, the Accounting Officer has to enter into an agreement with the recommended financial institution on behalf of Council. The Chief Financial Officer must ensure that the terms and conditions are as originally agreed before the Council is committed.
- b) All municipal loan commitments must be recorded in a Loans Register reflecting at a minimum the:
- I. Loan number
  - II. Type of loan
  - III. Financial institution
  - IV. Date issued
  - V. Purpose of the loan
  - VI. Loan period
  - VII. Interest rate
  - VIII. Installments (capital and interest)
  - IX. Due dates (quarterly/ half yearly / yearly)
  - X. Security
  - XI. Final redemption date
  - XII. Opening balance at the beginning of the financial year
  - XIII. Amounts received during the financial year
  - XIV. Capital amounts redeemed during the financial year
  - XV. Closing balance at the end of the financial year.

c) Sufficient provision must be made in the budget to depreciate assets linked to the loan.

## **7. INTERNAL CONTROL OVER BORROWINGS**

### **7.1 Draw down claims on loans**

Regular claims must be prepared, signed and submitted for processing to the financing institution providing the loan facility.

The following supporting documents must be attached to each drawdown claim:

- a) Signed copy of certified statement, signed to be an authorized representative of the municipality.
- b) Signed copy of Application for loan draw-down, signed by an authorized representative of the Municipality.
- c) Expenditure summary listing the expenditure being claimed.

### **7.2 Repayment made on loans**

Loans are paid at the end of each quarter, being September, December, March and June. Payments are made in terms of the amortization schedules or notices from the financing institution for the respective loans due for repayments.

The following supporting documents must be attached to each loan repayment.

- a) Signed copy of cheque requisition
- b) Copy of amortization schedule or notice from financing institution detailing the capital and interest amounts due and payable.

### **7.3 Reconciliation's between General Ledger / Loans Register and Financing Institutions**

The following reconciliation are performed between the Loans register, statements/ Amortization schedules of financing institutions and the General Ledger and are examined by a senior official under the direction of the Chief Financial Officer:

- a) Loans register to general ledger on a monthly basis.
- b) Capital redemption per the General ledger to the redemptions schedule on a monthly basis.
- c) Interest paid per the general ledger to the interest schedule on a monthly basis.

### **7.4 Documentation kept on record**

The following loan documentation and certificates, at a minimum, must be safeguarded at all times:

- a) Loan agreements
- b) Any applicable security agreements
- c) Copy of annual loans register
- d) Signed copies of monthly reconciliations
- e) Copies of all repayments made
- f) Copies of amortization schedules
- g) Copies of quarterly National Treasury returns.

## 8. REPORTING AND MONITORING PROCEDURES

Regular reporting mechanisms shall be put in place in order to assess the overall standing of the Municipality's borrowings and to ensure that the current borrowings comply with policy objectives, guidelines, applicable legislation and regulations.

As a minimum, the following reports shall be prepared:

### 8.1 For Internal Treasury Management

- a) A monthly schedule of loans detailing each loan.
- b) A monthly reconciliation of all interest / capital repaid and capital received.

### 8.2 For the Executive Mayor and Council

A monthly report, within 10 working days of each month, on the borrowing portfolio to the Executive Mayor and thereafter to the Finance Portfolio Committee for information, detailing:

- a) Date issued.
- b) Interest rate.
- c) Loan number.
- d) Reference number.
- e) Redemption date.
- f) Institution funding source.
- g) Opening balance at the beginning of the financial year.
- h) Amounts received during the financial year.
- i) Capital amounts redeemed during the financial year.
- j) Closing balance at the end of the financial year.

### 8.3 For External Parties

- a) A schedule of the Municipality's borrowings must be published as part of the annual financial statements.
- b) Any information to be submitted to the financing institutions and or security provider / guarantors as and when required.

## 9. FINANCIAL VIABILITY

- a) The Accounting Officer or his / her delegate must ensure that the Municipality is financially viable and will be able to access the capital market. A report in this regard must be submitted to council after the completion of the financial statements at the end of every financial year.
- b) The Chief Financial Officer must complete a financial analysis of at least the following ratios and the achievement of the following targets / norms must be included in the report:

### i. Percentage of Total Debt to Assets

$$A = B/C \times 100;$$

Where

A = Percentage debt in relation to assets,

B = (Long term Liabilities + Current Portion of Long term liabilities)

C= Total assets

Target = Less than 10% (Note: End March 2012 =?? %)

**ii. Percentage of Debt to Revenue**

$$A = B/C \times 100;$$

Where

A = Percentage debt in relation to Revenue,

B = (Long term Liabilities + Current Portion of Long term liabilities)

C= (Total income for the year – Operating Government Grants)

Target = Less than 35% of Revenue (Note: End March 2012 =?? %)

**iii. Percentage of capital Charges to Operating Expenditure**

$$A = B/C \times 100;$$

Where

A = Percentage capital charges in relation to Operating expenditure

B = Capital charges

C= Operating expenditure

Target = Less than 16% (Note: End March 2012 =?? %)

**iv. Percentage of Interest Paid to Operating Expenditure**

$$A = B/C \times 100;$$

Where

A = Percentage Interest paid in relation to Operating Expenditure

B = Interest paid

C= Operating expenditure

Target = Less than 5% (Note: End March 2012 =?? %)

**v. Percentage of Total Debt to Equity**

$$A = B/C \times 100;$$

Where

A = Percentage debt in relation to Equity

B = (Long-term Liabilities + Current Portion of long term Liabilities)

C= Funds and Reserves

Target = Less than 10% (Note: End March 2012 =?? %)

**vi. Gearing**

$$A = B/C \times 100;$$

Where

A = Ratio of Equity in relation to Long term Debt

B = Funds and Reserves

C= (Long-term Liabilities + Current Portion of Long Term Liabilities)

Target = Less than 25% (Note: End March 2012 =?? %)

**vii. Current Ratio**

$$A = B/C \times 100;$$

Where

A = Ratio of Current Assets in relation to Current Liabilities

B = Current Assets

C = Current Liabilities

Norm = better than 2:1 (Note: End March 2012 =??)

#### viii. Liquid Ratio

$A = B/C \times 100$ ;

Where

A = Ratio of Cash Assets in relation to Current Liabilities

B = Cash Assets (e.g. Call deposits, Cash, Bank)

C = Current Liabilities

Norm = At least 1.5: 1 (Note: End March 2012 =??)

#### ix. Percentage of Outstanding debtors to revenue

$A = B/C \times 100$ ;

Where

A = Percentage Outstanding debtors in relation to Revenue

B = (Consumer debtor + other debtors – Current portion of long term receivables)

C = Total Income for the year

Target = less than 18% (Note End march 2012 =?? %)

#### x. Percentage of Personnel Cost to Operating Income

$A = B/C \times 100$ ;

Where

A = Percentage of personnel cost in relation to Operating income

B = Personnel Cost

C = Operating Income

Norm = less than 30% of Operating income

(Note: End March 2012 =??%)

c) The Accounting officer must indicate the steps to be taken in order to address deviations from the set targets and / or any other action required to ensure access to the capital market on a continuous basis.

### 10. ANNUAL REVIEW OF POLICY

This policy will be reviewed regularly or when so requires by changes to Legislation. Any Changes to this policy must be adopted by Council and be consistent with the Act and any National treasury regulations.

SIGNED BY ACCOUNTING OFFICER

.....

GN MAVUNDLA

DATE

**EMADLANGENI  
MUNICIPALITY**



**FINAL CASH AND  
INVESTMENT  
MANAGEMENT**

**POLICY2025/2026**

## **Preamble**

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No 56 of 2003.

A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

## **Objectives**

The Council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

The Council therefore has a responsibility to invest these public revenues, knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

The investments policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when the period for which such revenues are surplus.

## **Definitions**

- In this policy a word or phrase to which a meaning has been assigned in Section 1.0 on definitions has that meaning, unless the context otherwise indicates.

## **Effective Cash Management**

- Cash Collections

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis.

The respective responsibilities of the Chief Financial Officer and other Heads of Departments in this regard are defined in a Code of Municipal Practice approved by the

Municipal Manager and the Chief Financial Officer, and this Code of Practice is attached as Annexure II to this Policy.

The unremitting support of and commitment to the Municipality's Credit Control Policy, both by the Council and the Municipality's Officials, is an integral part of proper cash collections, and by approving the present policy the Council pledges itself to such support and commitment.

- Payments to Creditors

The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the Municipality stipulate payment terms favorable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality. This rule shall be departed from only where there

are financial incentives for the Municipality to effect either payment, and the Chief Financial Officer shall approve any such departure before any payment is made.

In the case of Small, Micro and Medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. The Chief Financial Officer shall approve any such early payment before any payment is made.

Notwithstanding the foregoing policy directives, the Chief Financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the Chief Financial officer determines that there are financial incentives for the municipality to do so.

The Chief Financial Officer shall not process payments, for accounts received, more than four times in each calendar month. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

Special payments to creditors shall only be made with the express approval of the Chief Financial Officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal payment periods.

- a) Cash Management Programme

The Chief Financial Officer shall prepare an annual estimate of the Municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimate shall indicate when and for what periods and amounts surplus revenues

may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Heads of Departments shall in this regard furnish the Chief Financial Officer with all such information as is required, timeously and in the format indicated.

The Chief Financial Officer shall report to the Finance Committee, on a monthly basis and to every Ordinary Council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the Chief Financial Officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

## **Investment Ethics**

The Chief Financial Officer shall be responsible for investing the surplus revenues of the Municipality, and shall manage such investments in consultation with the Finance Committee or Council as the case may be, and in compliance with any policy directives formulated by the Council and prescriptions made by the Minister of Finance.

In making such investments the Chief Financial Officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the Finance Committee, as the case may be, shall not accede to any influence by or interference from Councilors, investment agents or institutions or any other outside parties.

Neither the Chief Financial Officer nor the Chairperson of the Finance Committee, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the Municipality has made or may potentially make an investment.

## **Investment Principles**

### a) Limiting Exposure

Where large sums of money are available for investment the Chief Financial Officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The Chief Financial Officer shall further ensure that, as far as it is practically and legally possible, the municipality's

investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

b) Risk and Return

Although the objective of the Chief Financial Officer in making investments on behalf of the Municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

c) Call Deposits and Fixed Deposits

Before making any call or fixed deposits, the Chief Financial Officer, shall obtain quotations from at least three financial institutions.

Given the volatility of the money market, the Chief Financial Officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth). However, special consideration shall be given to the cost benefit and convenience of linking the Primary bank account and the call accounts, for investments cash banking conditional grants. From time to time funds should be available immediately. In those instances, three quotations are not applicable.

Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the Chief Financial Officer shall ensure that the

municipality receives a property determined receipt of certificate for such investment, issued by the institution concerned in the name of the municipality.

d) Restriction on Tenure of Investments

No investments with a tenure exceeding twelve months shall be made without the prior approval of the Council.

### **Control Over Investments**

The Chief Financial Officer shall ensure that proper records are kept of all investments made by the Municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

The Chief Financial Officer shall ensure that all interest and capital property due to the Municipality are timeously received, and shall take appropriate steps and cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The Chief Financial Officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the Municipality's bankers or attorneys.

### **Other External Investments**

From time to time it may be in the best interests of the Municipality to make longer-term investments in secure stock issued by the National Government, Eskom or any other reputable parastatal or institution, or by another reputable Municipality. In such cases the Chief Financial Officer, must be guided by the best rates of interests pertaining to the specific type of investment, which the Municipality requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Executive Mayor or Executive Committee, as the case may be, and without guidance having been sought from the Municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

### **Banking Arrangements**

The Accounting Officer is responsible for the management of the Municipality's bank accounts, but may delegate this function to the Chief Financial Officer. The Accounting Officer and Chief Financial Officer are authorized at all times to sign cheques and any other documentation associated with the management of such accounts. The Accounting Officer, in consultation with the Chief Financial Officer, is authorized to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the Executive Committee or the Executive Mayor, as the case may be, on a monthly basis, as part of the report dealing with the Municipality's investments.

The Accounting Officer shall invite tenders for the placing of the Municipality's bank accounts within six months after the election of each new Council, such new banking arrangements to take effect from the first day of the

ensuing financial year. However, such tenders may be invited at any earlier stage, if the Municipal Manager, in consultation with the Chief Financial Officer, is of the opinion that the services offered by the Municipality's current bankers are materially defective, or not cost-effective, and the Council, agrees to the invitation of such tenders.

### **Raising of Debt**

The Accounting Officer is responsible for the debt, but may delegate this function to the Chief Financial Officer, who shall then manage this responsibility in consultation with the Accounting Officer. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the Council. Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

Short-term debt shall be raised only when it is unavoidable to do in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the Chief Financial Officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

### **Investments for the Redemption of Long-Term Liabilities**

In managing the Municipality's investments, the Chief Financial officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the Municipality, an amount

is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The Council shall approve the making of such investment at the time that the loan itself is approved.

If the loan raised is not a fixed term loan, but an annuity loan, the Chief Financial Officer shall ensure that sufficient resources are available in the account maintained for external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

### **Interest on Investments**

The interest accrued on all the Municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the Municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

In the case of the external finance fund, the Chief Financial Officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilized capital receipts and trust funds results in a surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the Chief Financial Officer to the appropriation account and expropriated to the asset financing reserve.

**Annexure I: Paraphrase of Requirements of Municipal Finance Management Acts No 56 of 2003** Note: In terms of Section 60(2) of the Municipal Systems Act No 32 of 2000 the Council may delegate the authority to take decisions making investments on behalf of the Municipality only to the Chief Financial Officer. The foregoing policy is based on the assumption that such authority has been delegated to the Chief Financial Officer.

### **Opening of Bank Accounts**

Every Municipality must open and maintain at least one bank account. This bank account must be in the name of the Municipality, and all monies received by the Municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A Municipality may not open a bank account:

- Otherwise than in the name of the Municipality;
- Abroad; or
- With an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the Municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

### **Primary Bank Account**

Every Municipality must have a primary bank account, and if the Municipality has only one bank account that account is its primary bank account. If the Municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the Municipality's primary account:

- All allocations to the Municipality;
- All income received by the Municipality on its investments;
- All income received by the Municipality in connection with its interest in any Municipality entity;
- All money collected by a municipal entity or other external mechanism on behalf of the Municipality; and
- Any other monies as may be prescribed.

The Accounting Officer of the Municipality must submit to the National Treasury the Provincial Treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the Municipality is held, and the type and number of the account. If the Municipality wants to change its primary bank account, it may do so only after the Accounting Officer has informed the National Treasury and the Auditor-General, in writing, at least 30 days before making such change.

### **Bank Account Details to be Submitted to Provincial Treasury and Auditor-General**

The Accounting Officer of the Municipality must submit to the Provincial Treasury and to the Auditor-General, in writing, within 90 days after the Municipality has opened a

new bank account, the name of the bank where the account has been opened, and the type and number

of the account; and annually, before the start of each financial year, the name of each bank where the Municipality holds a bank account, and the type and number of each account.

### **Control of Municipal Bank Accounts**

The Accounting Officer of the Municipality must administer all the Municipality's bank accounts, is accountable to the Municipal Council for the Municipality's bank accounts and must enforce compliance with Sections 7, 8 and 11 of the present Act.

### **Withdrawals from Municipal Bank Accounts**

Only the Accounting Officer or the Chief Financial Officer of the Municipality (presumably where this power has been appropriately delegated), or any other Senior Finance Official of the Municipality acting on the written authority of the Accounting Officer, may withdraw money or authorize the withdrawal of money from any of the Municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approval budget;
- defray expenditure authorized in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the Province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorized in terms of Section 29(1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the Municipality on behalf of such person or organ of state, including money collected by the Municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the Municipality for such person or organ of state;
- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13;
- defray increased expenditure in terms of Section 31; or
- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorization to a Senior Finance Official to withdraw money or to authorize the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The Accounting Officer may not authorize any official other than the Chief Financial Officer to withdraw money or to authorize the withdrawal of money from the Municipality's primary bank account if the Municipality has a primary bank account, which is separate from its other bank accounts.

### **Relief, Charitable, Trust or Other Funds**

No political structure or office bearer of the Municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the Municipality. Only the Municipal Manager may be the Accounting Officer of any such fund.

A Municipality may open a separate bank account in the name of the Municipality for the purpose of such relief, charitable, trust or other fund. Money received by the Municipality for the purpose of such fund must be paid into the bank account of the Municipality, or if a separate bank account has been opened for such fund, into that account.

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the Accounting Officer, acting in accordance with decisions of the Council, and for the purpose for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

Such relief, charitable, trust or other funds may not be funded from the equitable shares and should not be managed as a grant-in-aid fund managed in terms of Section 67 of the Municipal Finance Management Act.

**Cash Management and Investments**

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A Municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the Municipality at the end of financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that financial year. The bank must also promptly disclose any information regarding the account when so requested by the National Treasury or the Auditor-General.

A bank, insurance company or other financial institution which at the end of the financial year holds, or at any time during the financial year held, an investment for the Municipality, must within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the National Treasury or the Auditor-General.

SIGNED BY ACCOUNTING OFFICER

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GN MAVUNDLA

DATE:

# **EMADLANGENI LOCAL MUNICIPALITY**



## **ASSETS MANAGEMENT POLICY 2025/26 FY**

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## 1 Key definitions

### **"Accounting Officer"-**

Means the Municipal Manager;

### **"Asset"**

Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

### **"Basic Municipal Service"**

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

### **"Carrying Amount"**

The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. This represents the amount at which an asset is recognised in the statement of financial position.

### **"Chief Financial Officer"**

Means a person designated in terms of section 80(2) (a) of the MFMA;

### **"Community assets"**

Any assets that contribute to the community's well-being. Examples are parks, libraries and fire stations.

### **"Cost"**

The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

### **"Councillor"**

Means a member of a municipal council;

### **"Current year"**

Means the financial year, which has already commenced, but not yet ended;

### **"Depreciable amount"**

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

### **Depreciation"**

The systematic allocation of the depreciable amount of an asset over its useful life.

### **"Fair value"**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **"Financial year"**

Means a twelve months period commencing on 1 July and ending on 30 June each year

**“Financing agreement”**

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

**“GRAP”**

The accounting standards applicable to municipalities.  
GRAP – Generally Recognised Accounting Practice

**“Heritage assets”**

Some assets are described as “heritage assets” because of their cultural, environmental or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art.

**“Impairment loss”**

**A loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of asset’s future economic benefits or service potential through depreciation:**

- Of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- Of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

**“Infrastructure assets”**

These assets usually display some or all of the following characteristics:

- (a) They are part of a system or network,
- (b) They are specialised in nature and do not have alternative uses,
- (c) They are immovable, and
- (d) They may be subject to constraints on disposal.

Examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks.

**“Inventory”**

Are assets:

- (a) In the form of materials or supplies to be consumed in the production process,
- (b) In the form of materials or supplies to be consumed or distributed in the rendering of services,
- (c) Held for sale or distribution in the ordinary course of operations, or
- (d) In the process of production for sale or distribution.

**“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;

**“Investment properties”**

Property (land or a building or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

**“Local community”**

Has the meaning assigned to it in section 1 of the Municipal Systems Act;

**“Long-term debt”**

Means debt repayable over a period exceeding one year;

**"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 council" or "Council"**

Means the council of a municipality referred to in section 18 of the Municipal Structures Act; (refer to the MSA for definition);

**"Municipality"-**

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

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

**"MFMA"**

The Local Government: Municipal Finance Management Act (No. 56 of 2003)

**"Municipal Manager" "MM"**

Means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

**"Municipal service"**

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

**"National Treasury" "NT"**

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

**"Official"**

Means-

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

**"Property Plant and Equipment"**

Are tangible items that:

- (a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and
- (b) Are expected to be used during more than one reporting period.

**"PT", "Provincial Treasury"**

Means the Provincial Treasury branch established by section 5 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;

**“Recoverable amount”**

The higher of a cash-generating asset’s net selling price and its value in use.

**“Residual value”**

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

**“Useful life”**

- (a) The period over which an asset is expected to be available for use by an entity,  
or
- (b) The number of production or similar units expected to be obtained from the asset  
by an entity.

**“Value in Use”**

Present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

**“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 Asset Management Policy Summary

### Objectives

The objectives of this policy are to ensure that assets are managed and accounted for through:

- Physical control over fixed assets
- Accurate recording of fixed assets and related transactions
- Compliance with municipal legislation and applicable accounting standards
- Compliance with financial accounting policies
- Providing key management information on fixed assets for decision making
- Enhanced Accountability

**Commented [TR1]:** Objective unclear - is there an accounting policy separate to this policy?

### Key principles to be achieved

- Safekeeping of assets
- Accurate and complete recording of all the municipality's fixed assets
- Assignment of responsibility to each strategic head for the fixed assets in their department
- Asset register must balance to the financial statements
- Fixed assets must be properly maintained and insured
- The fixed assets register and annual financial statements must comply with the applicable accounting standards and legislation applicable at the time

### Key performance areas (strategic intent)

- Classification of fixed assets
- Safekeeping and identification of fixed assets
- Format of fixed assets register
- Acquisition and replacement
- Capitalisation criteria
- General planned & deferred maintenance
- Depreciation of fixed assets
- Amendment of asset lives and diminution in value of fixed assets
- Creation of non-distributable reserves
- Re-valuation of fixed assets
- Insurance, loss, damage, theft
- Disposal and retirement from use

### 3 Classification and Definitions of fixed assets

Objectives	Policy statement	Responsibilities
<p>To ensure that fixed assets meeting certain criteria and characteristics are grouped and classified together according to regulated guidelines and standards</p>	<p><b>Fixed Assets</b></p> <ul style="list-style-type: none"> <li>Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.</li> <li>Assets are grouped based on similarity in nature or function based on the municipality's operations</li> </ul> <p><b>Classes and applicable GRAP standards:</b></p> <ul style="list-style-type: none"> <li>Property, plant and equipment – GRAP 13 and 17</li> <li>Investment Property – GRAP 16</li> <li>Heritage Assets – GRAP 103</li> <li>Intangible Assets – GRAP 31</li> <li>Biological Assets – GRAP 110</li> <li>Inventories – GRAP 12</li> </ul> <p><b>Property, Plant and Equipment</b></p>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>Document and communicate classification of fixed assets to strategic managers.</li> <li>Present the Fixed Assets in the Annual financial statements in compliance with the applicable GRAP statements.</li> <li>Maintain a Fixed Asset Register in support of the AFS disclosures.</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>Take steps to ensure that fixed asset records are maintained in terms of the classifications supplied by the CFO.</li> <li>Ensure that all amendments to the assets records and results of fixed asset counts are submitted according to the correct classifications</li> </ul>

Objectives	Policy statement	Responsibilities
	<p><b>Property, Plant and equipment are tangible items that:</b></p> <ul style="list-style-type: none"> <li>• are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and</li> <li>• are expected to be used during more than one reporting period.</li> </ul> <p>The following are classes applicable for PPE:</p> <ul style="list-style-type: none"> <li>• Land</li> <li>• Buildings</li> <li>• Plant and Machinery</li> <li>• Furniture and Fixtures</li> <li>• IT Equipment</li> <li>• Infrastructure assets [including Capital Work-in-Progress (CWIP)]</li> <li>• Community Assets.</li> </ul> <p><b>Investment property</b></p> <p>These are investment assets held as resources for capital or operational gain. The following are the applicable classes:</p> <ul style="list-style-type: none"> <li>• Land</li> <li>• Buildings</li> </ul>	

	<p><b>Intangible Assets</b>  These are identifiable non-monetary asset without physical substance.: the class applicable to the municipality are:</p> <ul style="list-style-type: none"> <li>• Software and Licences</li> </ul> <p><b>Heritage Assets</b>  Assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.</p> <p><b>Biological Assets</b>  These are assets that are living animals or plants.</p> <p><b>Inventory</b>  <b>Inventories are assets:</b></p> <ul style="list-style-type: none"> <li>• in the form of materials or supplies to be consumed in the production process;</li> <li>• in the form of materials or supplies to be consumed or distributed in the rendering of services;</li> <li>• held for sale or distribution in the ordinary course of operations; or</li> <li>• in the process of production for sale or distribution.</li> </ul>	
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Objectives	Policy statement	Responsibilities
	<p>These such include:</p> <ul style="list-style-type: none"> <li>• rental or housing stock which is not held for capital gain</li> <li>• Land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business</li> <li>• 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</li> </ul> <p>These assets 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.</p>	

4 Recognition and Measurement

Objectives	Policy statement	Responsibilities
<ul style="list-style-type: none"> <li>To ensure that fixed assets are recognized and measured according to applicable accounting standards</li> </ul>	<p><b>Recognition criteria</b></p> <p>With the exception of <b>Heritage assets</b>, all assets are recognized on the financial statements when:</p> <ul style="list-style-type: none"> <li>It is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and,</li> <li>The cost or fair value can be measured reliably.</li> </ul> <p><b>Heritage Assets</b></p> <ul style="list-style-type: none"> <li>If no original costs or fair values are available in the case of heritage assets, the chief financial officer may recognize such asset or assets without an indication of the costs or fair value concerned.</li> </ul> <p><b>Measurement at recognition</b></p> <p><b>All assets shall be measured at:</b></p> <ul style="list-style-type: none"> <li>Cost;</li> <li>Fair value where it is acquired through a non-exchange transaction.</li> </ul> <p><b>Elements of cost</b></p>	<p><b>Chief Financial Officer</b></p> <p>Document and communicate classification of fixed assets to strategic managers</p> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>Take steps to ensure that fixed asset records are maintained in terms of the classifications supplied by the CFO.</li> <li>Ensure that all amendments to the assets records and results of fixed asset counts are submitted according to the correct classifications</li> </ul>

Objectives	Policy statement	Responsibilities
	<ul style="list-style-type: none"> <li>• Cash/Purchase price, including import duties and non-refundable taxes, after deducting trade discounts and rebates;</li> <li>• Any cost directly attributable to bringing the asset to the location and condition necessary for it to operate as intended by management;</li> <li>• Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, and;</li> <li>• Initial estimate of the obligation incurred or as a consequence of having used the item during a particular period for purposes other than to produce inventories.</li> <li>• For Fair valuation, reference to quoted prices in an active and liquid market shall be used. In cases where no evidence is available to determine the market value in an active and liquid market of an item of property, the fair value of the item may be established by reference to other items with similar characteristics, in similar circumstances and location</li> </ul> <p><b>Measurement After Recognition</b></p> <p>All assets, shall be carried at cost less any accumulated depreciation and any accumulated impairment losses using the <b>cost model</b>.</p>	

**5 Capitalisation criteria**

Objectives	Policy statement	Responsibilities
<p>To ensure that only items that meet the criteria and characteristics for fixed assets are capitalised as such</p>	<p><b>Material value</b>  <b>Material value to record an asset</b></p> <ul style="list-style-type: none"> <li>• An asset shall not be recognised based on the material value but when it meets the following criteria,</li> <li>• It is probable that future economic benefits or service potential associated with the item will flow to the entity</li> <li>• The cost or fair value of the item can be measured reliably</li> </ul> <p><b>Inventory listing</b></p> <ul style="list-style-type: none"> <li>• Every strategic manager shall ensure that any item with a value less than the threshold value and with an estimated useful life of more than one year, shall be recorded on an inventory listing.</li> <li>• Every strategic manager shall moreover ensure that the existence of items recorded on such inventory list is verified at least once in every financial year.</li> </ul> <p><b>Intangible items</b></p> <ul style="list-style-type: none"> <li>• 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 assets.</li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Review the threshold value on an annual basis and make a recommendation to the Council for approval.</li> <li>• Must ensure that only capital expenditures are capitalized as fixed assets</li> <li>• Provide criteria for the recognition of fixed assets to each strategic manager</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>• Where staff in other departments record accounting transactions, the relevant strategic manager is responsible to ensure that only capital expenditure is recorded as a capital item in the accounting records</li> <li>• The strategic manager must also ensure that such capital expenses are recorded on the fixed assets register by supplying the relevant information to the CFO in the required format.</li> </ul>

Objectives	Policy statement	Responsibilities
	<p><b>Reinstatement, maintenance and other expenses</b></p> <p><b>Enhancement costs</b></p> <ul style="list-style-type: none"> <li>• Only expenses incurred in the following shall be capitalised:               <ul style="list-style-type: none"> <li>- Enhancement of a fixed asset (in the form of improved or increased services or benefits flowing from the use of such asset)</li> <li>- Material extension of the useful</li> </ul> </li> </ul> <p><b>Maintenance costs</b></p> <p>Expenses incurred in the maintenance or reinstatement of a fixed asset shall be considered as operating expenses</p> <p><b>Expenses to bring the asset into operation</b></p> <ul style="list-style-type: none"> <li>• Expenses to bring the fixed asset into operation of will be capitalised as part of such fixed asset.</li> <li>• Such expenses may include the following costs:               <ul style="list-style-type: none"> <li>- Import duties</li> <li>- Forward cover</li> <li>- Transportation</li> <li>- Installation</li> <li>- Assembly</li> <li>- Commissioning</li> </ul> </li> </ul>	

**6 Fixed assets register**

Objectives	Policy statement	Responsibilities
<p>To ensure that all of the municipality's fixed assets are recorded in such a way to enable adequate management and accounting for fixed assets</p>	<p><b>Format of the fixed assets register</b> The fixed assets register should contain the following for each item of property, plant and equipment:</p> <ul style="list-style-type: none"> <li>• Acquisition dates</li> <li>• Clear descriptions of individual items</li> <li>• Location and GIS co-ordinates (where applicable)</li> <li>• Department / service that controls the asset</li> <li>• A unique asset identification number</li> <li>• The original cost / fair value</li> <li>• Depreciation charge and accumulated depreciation</li> <li>• Carrying amount</li> <li>• Method and rate of depreciation</li> <li>• Impairment losses incurred during the year</li> <li>• Source of financing</li> <li>• Insurance arrangements</li> <li>• Disposal date and price</li> <li>• Date retired from use</li> <li>• Re-valued amounts</li> <li>• Expected useful life</li> <li>• Remaining useful life. Information on size, diameter, etc.</li> </ul> <p><b>Provision of information for the fixed asset register</b> Each strategic manager under whose control any fixed asset falls shall:</p>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Updated maintenance of the fixed asset register in the required format</li> <li>• Accuracy of the fixed assets register and reconciliation to annual financial statements</li> <li>• Marking and recording of changes to fixed assets in the fixed assets register</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>• Provision of information to the CFO for any changes in the details of the fixed assets under their control</li> </ul>

Objectives	Policy statement	Responsibilities
	<ul style="list-style-type: none"> <li>• Promptly provide the chief financial officer in writing with any information required to compile the fixed asset register</li> <li>• Promptly advise the chief financial officer in writing of any material change which may occur in respect of such information</li> </ul> <p><b>Recording on the register</b></p> <ul style="list-style-type: none"> <li>• A fixed asset shall be recorded in the fixed assets register, as soon as it is acquired</li> <li>• Where 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</li> <li>• A fixed asset shall remain in the fixed assets register for as long as it is in physical existence</li> </ul> <p><b>Carrying value</b></p> <ul style="list-style-type: none"> <li>• 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 and accumulated impairment.</li> <li>• The only exceptions to this rule shall be re-valued assets and heritage assets in respect of which no value is recorded in the fixed asset register.</li> </ul>	

7 Safekeeping and identification of fixed assets

Objectives	Policy statement	Responsibilities
<p>To prevent the loss, damage or theft from the misappropriation or misuse of fixed assets owned by the municipality</p>	<p><b>Safekeeping</b> Each strategic manager shall:</p> <ul style="list-style-type: none"> <li>• Be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.</li> <li>• Take the necessary steps to ensure the safekeeping of fixed assets under their control</li> <li>• Adhere to any written directives issued by the chief financial officer in regard to the control of or safekeeping of the municipality's fixed assets.</li> </ul> <p><b>Identification</b></p> <ul style="list-style-type: none"> <li>• The chief financial officer shall ensure that the municipality maintains a fixed asset identification system which shall be operated in conjunction with its fixed asset register.</li> <li>• The identification system shall be determined by the chief financial officer:               <ul style="list-style-type: none"> <li>- Acting in consultation with the municipal manager and other strategic managers</li> <li>- Comply with any legal prescriptions</li> <li>- Be decided upon within the context of the municipality's budgetary and human resources available.</li> </ul> </li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Safekeeping and marking of fixed assets within department</li> <li>• Marking of and recording of fixed assets in the municipality's fixed assets register</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>• Safekeeping of fixed assets within their departments</li> <li>• Provide update information on new assets purchased, damaged, disposed of or moved to the CFO</li> <li>• Annual verification and reporting on fixed assets by 30 June each year</li> </ul>

Objectives	Policy statement	Responsibilities
	<ul style="list-style-type: none"> <li>• Every strategic manager shall ensure that the asset identification system approved for the municipality is properly applied in respect of all fixed assets controlled or used in their department</li> </ul> <p><b>Verification</b></p> <ul style="list-style-type: none"> <li>• Every strategic manager shall undertake a comprehensive verification of all fixed assets under their control:               <ul style="list-style-type: none"> <li>- At least once during every financial year</li> <li>- In compliance with the relevant written directives issued by the chief financial officer</li> <li>- 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.</li> <li>- Assess the condition of each asset and assign a condition based on Annexure B.</li> <li>- Not later than 30 June of each year.</li> </ul> </li> </ul>	

8 Acquisition and replacement of fixed assets

Objectives	Policy statement	Responsibilities
<ul style="list-style-type: none"> <li>To ensure fair, transparent and equitable acquisition of fixed assets in terms of the supply chain management policy, capital budget and IDP priorities</li> <li>To ensure that fixed assets are replaced when they have exhausted their effective service potential</li> </ul>	<p><b>Valuation model</b></p> <ul style="list-style-type: none"> <li>Council accepts the cost model as its accounting policy for the measurement of assets after recognition and will apply the policy to all asset classes contained in its asset register.</li> </ul> <p><b>Acquisition of fixed assets</b></p> <ul style="list-style-type: none"> <li>The Chief Financial Officer will develop and provide a form to be completed by strategic managers for new acquisitions.</li> <li>Each strategic manager will promptly inform the CFO of new fixed assets taken into use in the format requested by the CFO.</li> </ul> <p><b>Replacement of fixed assets</b></p> <ul style="list-style-type: none"> <li>Fixed assets will be replaced when they can no longer deliver the services effectively and efficiently.</li> <li>Each strategic manager will assess the service potential of the fixed assets under their control annually</li> <li>The results of these assessments will be included into each strategic manager's contribution to the IDP and capital budgeting process</li> </ul>	<p><b>Council</b></p> <p>Approval of the IDP and capital budget</p> <p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>Communicate the format of information for new acquisitions to each Strategic manager</li> <li>Recording all new acquisitions accurately into the fixed assets register</li> <li>Marking fixed asset acquisitions for identification purposes</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>Promptly providing the CFO with information about new fixed asset acquisitions taken into use in the prescribed format</li> <li>Review and assess the service potential of the fixed assets under their control at least annually</li> <li>Submit the replacement requirements as part of the annual IDP revision and capital budget</li> </ul>



**9 General, planned and deferred Maintenance**

Objectives	Policy statement	Responsibilities
<p>To ensure that fixed asset maintained to a level to ensure that the fixed asset can be used efficiently and services can be effectively rendered to the community by:</p> <ul style="list-style-type: none"> <li>• Planned maintenance</li> <li>• General maintenance</li> <li>• Reporting and follow-up of deferred maintenance</li> </ul>	<p><b>General and planned maintenance</b></p> <ul style="list-style-type: none"> <li>• Every strategic manager shall be directly responsible for ensuring that all assets are properly maintained to ensure:               <ul style="list-style-type: none"> <li>- That such assets provide the desired level of service and</li> <li>- Attain their useful operating lives</li> </ul> </li> </ul> <p><b>Maintenance planning</b></p> <ul style="list-style-type: none"> <li>• An annual maintenance plan shall be prepared and submitted by each strategic manager when the capital and operating budget is prepared annually</li> <li>• A maintenance plan shall be submitted to the council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.</li> <li>• The strategic manager of the department controlling or using the infrastructure asset in question, shall annually report to the council at least quarterly) on:               <ul style="list-style-type: none"> <li>- The extent to which the relevant maintenance plan has been complied with</li> <li>- The likely effect which any non-compliance may have on the useful operating life of the asset concerned.</li> </ul> </li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Disclose deferred maintenance in the annual financial statements</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>• Prepare annual maintenance plans for submission with the capital budget</li> <li>• Implement and report on the progress of the maintenance plan</li> </ul>

Objectives	Policy statement	Responsibilities
	<p><b>Deferred maintenance</b></p> <p><b>Disclosure of deferred maintenance</b></p> <ul style="list-style-type: none"> <li>• 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 the chief financial officer shall disclose the extent of and possible implications of such deferred maintenance in an appropriate note to the financial statements.</li> <li>• Such note shall also indicate any plans which the council of the municipality has approved in order to redress such deferral of the maintenance requirements concerned.</li> </ul>	

**10 Depreciation**

Objectives	Policy statement	Responsibilities
<p>To ensure that the accounting records and annual financial statements reflect fixed assets at a value in accordance with the rate at which the economic benefits and service potential has been utilised</p>	<p><b>Depreciation</b>  <b>Assets to depreciate</b>                      All fixed assets, except land and heritage assets, shall be depreciated.  <b>Calculation of depreciation</b></p> <ul style="list-style-type: none"> <li>• Depreciation will take the form of an expense both calculated and debited on a monthly basis against the appropriate line item in the department or vote in which the asset is used or consumed.</li> <li>• Depreciation shall initially be calculated from:                             <ul style="list-style-type: none"> <li>- The day following the day in which a fixed asset is acquired or</li> <li>- In the case of construction works and plant and machinery – the day following the day in which the fixed asset is brought into use, until the end of the calendar month concerned.</li> </ul> </li> <li>• Thereafter, depreciation charges shall be calculated monthly.</li> <li>• Depreciation will be included in the annual operating budget</li> </ul> <p><b>Rate of depreciation</b></p> <ul style="list-style-type: none"> <li>• The chief financial officer shall, in line with MFMA guidelines, assign a useful operating</li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Assigns a useful operating life and depreciation rate to each depreciable asset recorded on the municipality's fixed asset register</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>• Annually review the useful life and depreciation rate of the fixed assets under their control for reasonability and report to the CFO by 30 June</li> </ul>

Objectives	Policy statement	Responsibilities
	<p>life to each depreciable asset recorded on the municipality's fixed asset register</p> <ul style="list-style-type: none"> <li>The useful life shall be determined in consultation with the strategic manager concerned</li> </ul> <p><b>Depreciation rate</b></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	

11 Useful Lives, Amendment thereof and diminution in value of fixed assets

Objectives	Policy statement	Responsibilities
<p>To ensure that the amendment of asset lives or the diminution in value thereof must take place in a controlled manner based on the operating value and service potential of those fixed assets</p>	<p><b>Amendment of asset lives</b>  <b>Authority to amend useful life</b></p> <ul style="list-style-type: none"> <li>Only the chief financial officer may amend the remaining useful life assigned to any fixed asset</li> <li>When any material amendment occurs the chief financial officer shall inform the council of the municipality of such amendment.</li> </ul> <p><b>Circumstances to amend useful life</b></p> <ul style="list-style-type: none"> <li>The chief financial officer shall amend the useful operating life assigned to any fixed asset if: <ul style="list-style-type: none"> <li>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</li> <li>Any other event has occurred which materially affects the pattern in which the asset's economic benefits or service potential will be consumed.</li> </ul> </li> </ul> <p><b>Diminution in fixed asset value (Impairment)</b>  <b>Impairment of fixed assets</b></p> <ul style="list-style-type: none"> <li>A fixed asset is said to be impaired where the recoverable amount or the recoverable service value is less than the carrying amount reflected in the accounting record.</li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>Amends the useful lives and value of fixed assets in consultation with strategic managers</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>Annually, review the useful lives, value and impairment of all the fixed assets under their control and submit to the CFO.</li> </ul>

Objectives	Policy statement	Responsibilities
	<ul style="list-style-type: none"> <li>Each strategic manager shall annually, review the useful lives, value and impairment of all the fixed assets under their control and submit to the CFO.</li> </ul>	

**12 Insurance, loss, damage, theft**

Objectives	Policy statement	Responsibilities
<p>To ensure that municipal fixed assets are adequately insured and adequate records kept of loss, damage and theft thereof</p>	<p><b>Insurance of fixed assets</b></p> <ul style="list-style-type: none"> <li>• The Chief Financial Officer shall ensure that all the fixed assets are adequately insured.</li> <li>• 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               <ul style="list-style-type: none"> <li>- The carrying value or</li> <li>- The replacement value of the fixed assets concerned.</li> </ul> </li> <li>• Such recommendation shall take due cognisance of the budgetary resources of the municipality.</li> <li>• The chief financial officer shall ensure that insurance cover is sourced in terms of the supply chain management policy of the municipality.</li> <li>• The chief financial officer shall annually submit a report to the council of the municipality for approval on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.</li> </ul> <p><b>Loss, damage, theft of fixed assets</b></p> <ul style="list-style-type: none"> <li>• Every strategic manager shall promptly report every incident of loss, theft, destruction, or material impairment of any fixed asset controlled or used by the department in writing to the chief financial officer and</li> <li>• In cases of suspected theft or malicious damage also to the South African Police Service.</li> </ul>	<p><b>Municipal Manager</b></p> <ul style="list-style-type: none"> <li>• Recommends the basis of insurance to Council after taking into account the budgetary resources available</li> </ul> <p><b>Council</b></p> <ul style="list-style-type: none"> <li>• Approves the insurance basis</li> </ul> <p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Reconcile the insurer's schedule of loss, damages and theft to that of each strategic manager and obtain explanations for differences</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>• Report all loss, damage and theft to the CFO as they occur</li> <li>• Keep records of loss damage and theft and submit it to the CFO annually</li> </ul>

Objectives	Policy statement	Responsibilities
	<ul style="list-style-type: none"> <li>• Each strategic manager shall prepared a schedule of loss, damage and theft and submit it to the CFO annually by 30 June.</li> <li>• The CFO will then reconcile this information to the insurer's schedule and collate it into a report for external audit.</li> </ul>	

13 Disposal and retirement from use

Objectives	Policy statement	Responsibilities
<p>To ensure that disposal and transfer of ownership of any fixed asset shall be fair, equitable, transparent, competitive and consistent with the Supply Chain Management Policy</p>	<p><b>Disposal of fixed assets</b></p> <ul style="list-style-type: none"> <li>Each strategic manager shall report in writing to the CFO annually on all fixed assets controlled or used by the department concerned on which fixed assets they wish to dispose of by public auction, public tender or write-off by 30 June each year.</li> <li>Each strategic manager must take the necessary steps to ensure that all obsolete or damaged assets are disposed of in an appropriate and approved manner.</li> </ul> <p><b>Other write-offs</b></p> <ul style="list-style-type: none"> <li>A fixed asset shall be written-off only on the recommendation of the strategic manager of the department controlling the asset and with the final approval of Council.</li> <li>Every strategic manager shall report annually to the CFO which fixed assets they wish to have written-off, stating the full reason for such a recommendation by 30 June of each year.</li> <li>The CFO will then consolidate all such reports and submit a recommendation to Council for approval.</li> <li>Valid reasons for the writing-off of fixed assets shall be the disposal, loss, theft, destruction, incorrect capitalization or material impairment of these fixed assets.</li> </ul>	<p><b>Council</b></p> <ul style="list-style-type: none"> <li>Approves the disposal and write-off of all fixed assets</li> </ul> <p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>Collects and consolidates requests for disposals and write-offs of fixed assets from various strategic managers</li> <li>Submits a recommendation for disposals and write-offs to Council for approval</li> </ul> <p><b>Strategic departmental managers</b></p> <ul style="list-style-type: none"> <li>Submit a list of recommended disposals and write-offs to the CFO annually by 30 June each year with explanations</li> <li>Take steps to ensure that obsolete and damaged assets are disposed of in an appropriate and approved manner.</li> </ul>

14. Donations of Assets

Objectives	Policy statement	Responsibilities
<p>To ensure that the Accounting officer get council approval before the municipal assets are donated, the donations must be in line with the municipal supply chain management policy</p>	<ul style="list-style-type: none"> <li>• The accounting officer to ensure that donated assets don't hinder operations of the municipality</li> <li>• Final approval of council is obtained before the assets are donated</li> <li>• Such assets are donated at their fair value and are written of the municipal assets register</li> </ul>	<p><b>Council</b></p> <ul style="list-style-type: none"> <li>• Approves all donations made by the municipality</li> </ul> <p><b>Strategic director</b></p> <ul style="list-style-type: none"> <li>• Compile a list of items to be donated that they no longer use and submit to accounting officer for discussion</li> </ul>

**15 Biological Assets**

Biological assets should be disclosed and accounted for in terms of GRAP as applicable

Objectives	Policy statement	Responsibilities
<p>To ensure that financial statement disclosures for Biological assets to be done in terms of GRAP 110 as applicable</p>	<p><b>RECOGNITION</b></p> <ul style="list-style-type: none"> <li>• the municipality controls the asset as a result of past events</li> <li>• It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and</li> <li>• The cost or fair value of the asset can be measured reliably</li> </ul> <p><b>DERECOGNITION</b></p> <ul style="list-style-type: none"> <li>• on disposal</li> <li>• When no future economic benefits or service potential are expected from its use or disposal.</li> <li>• compensation received and the amount recognised in the statement of financial performance.</li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>• Take the necessary steps to ensure that biological assets are disclosed in terms of GRAP for the annual financial statements</li> </ul> <p><b>Game park manager</b></p> <ul style="list-style-type: none"> <li>• Ensures that game count is performed annually for all biological assets</li> <li>• Such count is done with helicopter to ensure accuracy in counting.</li> </ul>

**16 Accounting and financial statement disclosure**

Fixed assets shall be disclosed and accounted for in terms of GRAP as applicable

Objectives	Policy statement	Responsibilities
<p>To ensure that financial statement disclosures for fixed assets to be done in terms of GRAP as applicable</p>	<ul style="list-style-type: none"> <li>The Chief Financial Officer must ensure that relevant and current GRAP accounting standards are applied for the disclosure of fixed assets on the financial statements</li> <li>Accounting disclosures shall be supported by auditable schedules reconciled to the disclosures.</li> </ul>	<p><b>Chief Financial Officer</b></p> <ul style="list-style-type: none"> <li>Take the necessary steps to ensure that fixed assets are disclosed in terms of GRAP for the annual financial statements</li> </ul>

## Annexures

### Annexure A – Depreciation Rates

#### Property, Plant and Equipment

Ser No	Asset Classification	Average Useful Life
1	Buildings	10 to 50 Years
2	Plant and Machinery	2 to 50 Years
3	Furniture and Fixtures	2 to 30 Years
4	Motor Vehicles	2 to 30 Years
5	IT Equipment	2 to 15 Years
6	Infrastructure	2 to 90 Years
7	Community Assets	2 to 90 Years

#### Investment Property

Ser No	Asset Classification	Average Useful Life
1	Land	Indefinite
2	Buildings	10 to 30 Years
3	Infrastructure-other	10 to 40 Years
4	Infrastructure- Dam	10 to 88 Years

#### Intangible Assets

Ser No	Asset Classification	Average Useful Life
1	Software and Licences	3 to 6 Years

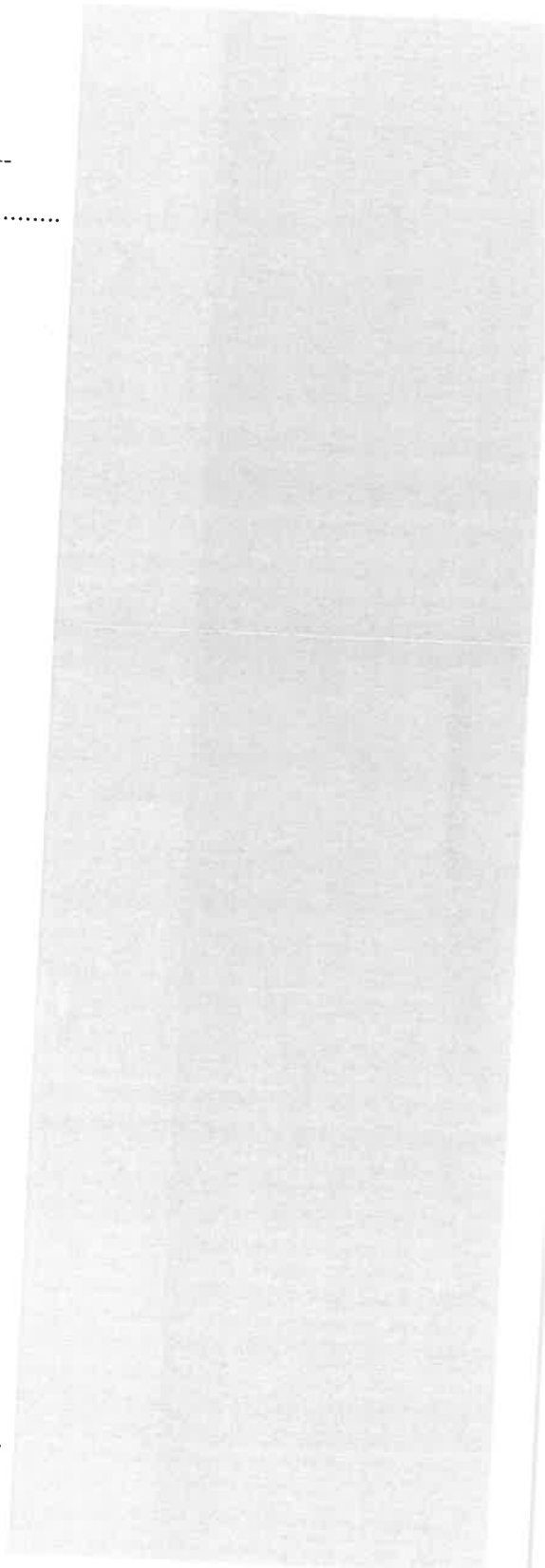
**Annexure B – Condition Assessments**

<b>Condition rating table</b>			
<b>GRADE</b>	<b>DESCRIPTION</b>	<b>DETAILED DESCRIPTION</b>	<b>ESTIMATED REMAINING LIFE</b>
1	NEW	New, sound structure or appearance, well maintained. Continue with planned maintenance.	As estimated
2	GOOD	Performance acceptable with minor deterioration (<5%). Normal planned maintenance continues.	As estimated
3	FAIR	Clear deterioration (10-20%). Significant maintenance required, consider impairment.	Less than estimated
4	POOR	Significant deterioration in structure or appearance. Significant impairment of performance. Significant maintenance required.	Significantly less than estimated
5	VERY POOR	Unsound, does not perform. Reconstruction or replacement required (>50% needs replacement).	None or nominal

Approval of Policy by Council and Effective date: -----

MUNICIPAL                      MANAGER                      DATE.....

.....



# **EMADLANGENI LOCAL MUNICIPALITY**



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

**2025/26**

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## 1. PURPOSE

This Policy, read together with the eMadlangeni Municipality Credit Control and Debt Collection By-law, provides procedures and mechanisms for credit control and debt collection. The Policy has been compiled in compliance with the Local Government: Municipal Systems Act 32 of 2000 (the Systems Act), which requires the adoption of a credit control and debt collection policy, which is consistent with the Municipality's rates and tariffs policies and which complies with the Systems Act. The Policy aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area.

## 2. DEFINITIONS

Words contained in this Policy have the same meaning as in the eMadlangeni Municipality: Credit Control and Debt Collection By-law, except where the context indicates otherwise. In addition, the following words and phrases have the following meanings:

"**Account**" means written notification in the form of a statement of account in respect of municipal services, rates, sundry charges and other charges, addressed to a person liable for payment thereof;

"**Agent**" means a person authorised by the customer to act on his or her behalf;

"**Arrears**" means any amount which is due, owing and payable and which remains unpaid by due date;

"**Authorised Official**" means the **Municipal Manager** or his delegate in terms of the Municipality's System of Delegations;

"**Bulk customer**" means a customer who consumes large amounts of electricity for commercial or industrial purposes;

"**By-law**" means eMadlangeni Municipality: Credit Control and Debt Collection By-Law, as amended;

"**CFO**" means a person employed by the Municipality in terms of section 56 of the Systems Act as the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the Municipal Manager in terms of section 79 of the Municipal Finance Management Act and section 59 of the Systems Act;

"**Collection charges**" means the charges which the Municipality is entitled to recover in terms of section 75A(1) of the Systems Act, and includes the administrative cost– (a) of reminding any ratepayer or customer of arrears; (b) for the termination, restriction or reinstatement of any municipal service to a defaulting ratepayer or customer; (c) of any notice rendered, sent, delivered or published to a ratepayer or customer in terms of the By-law or any other law; (d) of any merchant fee; and (e) in respect of any other charge which the Municipality is by law entitled to recover;

"**Company**" shall bear the same meaning as "Company" in the Company's Act, 2008 (Act 71 of 2008); "**Consolidated account**" means a monthly account reflecting municipal service fees,

charges, surcharges on fees, property rates, sundry charges and other municipal taxes, levies and duties and all consolidations in terms of section 102 of the Systems Act;

**“Credit Authority”** means any arrangement made by agreement between the Municipality and a customer for the payment of any arrears in instalments. Such arrangement may take the form of an agreement or an acknowledgment of debt;

**"Customer"** means any person or their agent with whom the Municipality or an authorised official has entered into an agreement for the provision of any municipal service to the premises;

**“Deemed Owner”** means the occupiers contemplated in section 27.2 of this Policy;

**“Defaulter”** means a Customer whose account is in arrears;

**“Deposit”** means a monetary amount raised by the Municipality in relation to the consumption of a Municipal Service and mitigation of credit risk to the Municipality, irrespective of the existence of an agreement;

**“Due date”** means the date on which a customer’s account becomes payable, which in the case of monthly accounts is twenty-one days from the date of the account, and in the case of annual accounts is the 31 October each year;

**“Effective Date”** means the date on which this Policy comes into effect which shall be 1 July 2018;

**“Illegal connection”** means any connection to a system through which municipal services are provided, which is not authorised or approved by the Municipality or an authorised official;

**“Juristic person”** includes a partnership, a proprietor, association or other body of persons, corporate or unincorporated and includes a trust and organ of state;

**“Meter”** means any device which measures any demand or quantity of either electricity energy passing through such meter;

**“Metering period”** means the time interval between two successive billed meter readings but shall exclude previous leak periods;

**“MPRA”** means the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004), as amended;

**“Multi-property owner”** means an owner of 2 or more registered properties in the Municipality’s area of jurisdiction;

**“Municipal charges”** means municipal service fees, surcharge on fees, penalties, interest, property rates, and other municipal taxes, levies and duties, as well as any other charges in terms of Legislation, Policy or an agreement including Sundry Charges and Collection charges;

**"Municipal service"** means a service provided by the Municipality in terms of its powers and functions to or for the benefit of the local community, irrespective of whether or not – (a) such

service is provided by the Municipality itself or by engaging an external mechanism contemplated in section 76 of the Systems Act; or (b) any fees, charges or tariffs are levied in respect thereof;

“**Net salary**” means the gross salary minus pension and statutory deductions;

“**Owner**” In addition to the persons defined in the MPRA, includes: (a) In relation to a property referred to in paragraph (a) of the definition of "property" in the MPRA, a person in whose name ownership of the property is registered; (b) An owner in a sectional title scheme who owns in addition to the residential unit, a garage, parking, granny flat or storage room, under separate Title in the scheme, is deemed to be the owner of ONE property for the **purposes of 7.2 and 7.3** of the Rates Policy of the Municipality; (c) An owner of two or more properties which are notarially tied to each other, is deemed to be the owner of ONE property for the **purposes of 7.2 and 7.3** of the Rates Policy of the Municipality; (d) The administrator of the body corporate of a sectional title scheme where the common property of a sectional title scheme is at issue and there are no elected trustees of the body corporate; (e) The administrator, where the owner of a property is a mental health care user as defined in section 1 of the Mental Health Act, 2002 (Act No. 17 of 2002); (f) The business rescue practitioner, where the owner of a property has been placed under business rescue; (g) The managing agent, where the owner of a property is absent from the Republic of South Africa or where the Municipality has, after reasonable attempts, not been able to determine his or her whereabouts; (h) Every person who is entitled to occupy or use a building, or who does occupy or use a building, where – (i) The owner of the property is absent from the Republic of South Africa; (ii) The Municipality has, after reasonable attempts, not been able to determine the whereabouts of the owner of the building; and (iii) There is no managing agent; (i) Trustees and beneficiaries jointly, in the case of property in a trust; (j) An executor or administrator, in the case of property in a deceased estate; (k) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation; (l) A judicial manager, in the case of a property in the estate of a person under judicial management; (m) A curator, in the case of property in the estate of a person under curatorship; (n) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude, as joint owner together with the registered owner; (o) A lessee, in the case of a property that is registered in the name of the Municipality and is leased by it; (p) A buyer or a developer, in the case of a property that was sold by the Municipality and of which possession was given pending registration of ownership in the name of the buyer, beneficiary, or a developer; (q) A fideicommissary as joint owner together with the fiduciary; (r) Ingonyama Trust in respect of the land vested in the Ingonyama Trust by virtue of the Ingonyama Trust Act of 1994, as amended, or any other law; (s) The National Government of the Republic of South Africa, in the case of a property that is registered in the name of a deregistered company or close corporation and where ownership thereof has accrued to the state by operation of law ( bona vacantia); (t) An owner of a property in the name of any other juristic person not mentioned in this definition of an owner; (u) A Deemed Owner; and (v) A child or children in charge of a property in the case of a child headed household as contemplated in this Policy and the Rates Policy of the Municipality;

“**Person**” means a natural person or Juristic Person;

**"Property"** means– (a) immovable property registered in the name of a person, including, in the case of sectional title scheme, a sectional title unit registered in the name of a person; (b) a right registered against immovable property in the name of a person; (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation, excluding a permission to occupy; or (d) a public service infrastructure;

**"Prescribed form"** means any document that may be prescribed by law or required by the CFO from time to time; in a format approved by Council;

**"Rates"** means a municipal rate on property envisaged in terms of section 229(1) (a) of the Constitution and levied by the Municipality in terms of the MPRA, expressed as cents in the rand;

**"Rates Regulations"** means the Municipal Property Rates Regulations, 2006 as amended;

**"Residential property"** means a dwelling, in any building, premises, structure, or any other place, or any part thereof, used predominantly as a place of residence or abode of any natural person excluding a dwelling where the dominant use is for any purpose other than residential, or where it is used in the supply of commercial accommodation;

**"Revenue Clearance Certificate"** means a certificate of the kind referred to in Section 118(1) of the Systems Act;

**"Services Account"** means an account which relates to Electricity consumption and related charges;

**"Service Agreement"** means an agreement entered into between the Customer and the Municipality for the provision of municipal services. (E.g. Rates, Electricity);

**"Sundry charge"** means an amount charged to a customer which is not directly linked to a property and includes but is not limited to– (a) charges arising from damage to municipal property and equipment; (b) monies owed for municipal services other than rates and electricity; (c) monies awarded to the Municipality through court orders and judgments; (d) fines; and (e) monies owed to the municipality by the municipality staff (staff debts);

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

**"Tenant"** means in relation to this Policy a person with whom has entered into a lease agreement with the Landlord; and such person became a Customer to the Municipality prior the adoption of clause 3.1 of this Policy. This excludes tenants stated in clause 3.3 and Social Housing Tenants as mentioned in this Policy;

**"Tenderer"** means a contractor, service provider or supplier who has submitted a tender for the provision of services or the delivery of goods to the Municipality;

**"50/50 pre-payment debt recovery"** means a pre-payment system whereby 50% of payment is allocated to arrears and 50% is allocated to the purchase of electricity. Only owners can make application for a pre-payment system, excluding municipal employees, councillors and social housing tenants whose accounts are in arrears.

## **PROVISION OF MUNICIPAL SERVICES**

### **3. REGISTRATION FOR MUNICIPAL SERVICES**

3.1 Residential property - The Municipality will endeavour to register owners only for services on their properties. Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default in terms of subsection 6.1 (b) of this Policy.

3.2 Business property - The Municipality will only enter into new contracts for municipal services with tenants if the owner of the property is a multi-property owner as defined, and the municipal accounts on all of his or her properties are paid. Where the landlord is not a multi-property owner, the owner of the property must register for services.

3.3 When the owner of the property is a bulk customer, the CFO, at his or her discretion, may allow tenants of the bulk customer to be registered for municipal services on the property concerned, upon submission of any documents or information that may be requested by the CFO.

3.4 Government property - The Municipality will continue to register tenants for services. The respective Government Departments shall be held liable for the debts on their own property.

3.5 Sundry accounts - The customer must provide the Municipality with a municipal account number or rate account number. If the customer does not have an existing municipal account then a new account must be created.

3.6 The Municipality shall whenever possible, combine any separate accounts of a person who is liable for payment to the Municipality, into one consolidated account.

3.7 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the CFO has been produced in each instance.

3.8 If there is an outstanding debt on the property, this debt must be settled in full, or suitable payment arrangements must be made by the owner of the property, before any customer or owner is registered for services.

3.9 Customers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.

3.10 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer or owner to advise the Municipality of such change.

3.11 A person applying for a Municipal Service must enter into a service agreement with the Municipality in order for such Municipal Service to be provided.

3.12 Documentation and Information (Juristic Persons)- An application by a Juristic Person for a Municipal Service must include –

(a) The submission of a resolution delegating authority to the applicant and furnishing, if applicable, the Juristic person's Registration Number or Trust Reference Number with the Master of the High Court.

(b) The names, identity number, cell phone number, physical and postal addresses, email addresses and any other particulars of all the directors or members or trustees or proprietors or partners, as maybe prescribed.

(c) Certified copies of the following where applicable: (i) Current Letter of Authority of the Trustee(s). (ii) Identity documents of the persons referred to in (b) above. (iii) CIPC registration documents. (iv) Constitution.

(d) A signed Direct Debit form as prescribed by the Municipality.

(e) Deeds of Suretyship in the prescribed form, signed by the persons referred to in (b) above.

3.13 A person may be required to provide to the Municipality such personal information, as may be prescribed, for any purpose contemplated in this policy, amongst others, all contact details (postal/physical/email address etc.), proof of identification, financial information and such other relevant documentation, as may be required by the Municipality from time to time (e.g. binding lease agreement, title deed etc.).

3.14 All information furnished may be verified by the Municipality with any or all data information institutions, credit information bureau's and any financial institutions as may be deemed necessary by the Municipality in determining a person's credit worthiness or for any other reason as determined by the CFO.

3.15 The Municipality has a right to conduct a full credit check on any person who is or who will become subject to this policy or any other policy of the Municipality.

#### **4. DEPOSITS**

4.1 Upon date of ownership transfer, a deposit will be automatically raised, based on the criteria determined by the CFO, from time to time.

4.2 The CFO may exclude a category of owners from payment of deposits.

4.3 Where a tenant terminates a services account, consumption charges emanating from a meter must thereafter be linked to the owner's rates account and a deposit will be raised once consumption is recorded and will become due in the next months' bill.

4.4 The Municipality may appropriate a customer's deposit on any account related to that customer.

4.5 Notwithstanding receipts for different services, deposits payable to the Municipality shall be a consolidated deposit, paid in cash. Sureties shall not be accepted in lieu of deposits.

4.6 Where a business customer does not present a valid South African ID Document, a deposit equivalent to twice the prescribed deposit shall apply, in addition to the personal suretyships.

4.7 If a customer is in arrears, the deposit may, upon due notice, be increased.

4.8 The Municipality may utilise the consolidated deposit as security for any or all of the charges or amounts included in the statement of account.

4.9 Social Housing tenants qualify for the same deposit as an owner.

4.10 No deposit will be raised on property where there is no consumption or properties where there is a prepaid meter however an availability fee shall be raised.

4.11 Where a tenant has absconded leaving a debt on a property, an additional deposit, equal to the debt on the property, may be raised on any other account held by the tenant with the Municipality.

#### 4.12 Guarantees

a. Guarantees shall not be accepted as a form of deposit except where Municipal Property is alienated or as the CFO may direct from time to time

b. Existing Guarantees shall be honoured for the duration of the contract with the Municipality.

c. **Addenda** to existing Guarantees shall not be accepted. The additional deposit must be paid in cash.

d. Where guarantees are held in lieu of deposits, such guarantee shall be presented for payment and a new deposit shall be raised to any arrear account.

#### 4.13 Review of Deposits

a. If the customer poses a credit risk, the value of the original deposit paid or a guarantee held may be reviewed from time to time by the CFO.

b. The deposit on an account shall be reviewed when—

i. the Account is paid after the due date; ii. Payment by negotiable instrument or direct debit is dishonored; or iii. there is increased consumption of services.

c. The Municipality may increase the deposit payable by a customer by up to 12 months average usage.

d. The deposits on all accounts may increase pro rata based on the Bulk consumption charge to Eskom.

#### 4.14 Interest Payable on Cash Deposits

**No interest shall be payable by Municipality on cash held as deposits.**

## ACCOUNTS MANAGEMENT

### 5. ACCOUNTS

5.1 The Municipality will deliver notices and accounts in accordance with section 115 of the MSA. A Customer may register for another mode of transmission as set out in the Credit Control and Debt Collection By-Law. In the case of multiple-ownership, the account will be delivered to any one of the owners.

5.2 Failure to receive or accept accounts does not relieve a customer of the obligation to pay any amount due and payable. The onus is on the customer to make every effort to obtain a copy of the account, or establish the amount payable for payment.

5.3 The Municipality or an authorized official must, if administratively possible, issue a duplicate account to a customer on request. The Municipality will provide owners with copies of their tenant's accounts if requested in writing.

5.4 The Municipality may post annual rates assessment for record purposes.

5.5 With the exception of Government Accounts, assessment rates shall be billed on a monthly basis, and may only be billed annually by prior written agreement, subject to the Rates Policy of the Municipality.

5.6 Customers are required to update their information details with the Municipality promptly whenever information on record changes and or whenever requested by the Municipality. A failure to update information with the Municipality or a failure to respond to the Municipality's request for updated information may, subject to the principles of administrative justice, result in withholding of services, disconnection of services or prosecution. Such update of information includes, but is not limited to—

a. Details of executors or administrators of deceased estates; b. Deregistration of a company if the company is the account holder; c. Details of deceased company directors, members of Close Corporations and trustees of Trusts; d. Details of deceased partners and; e. Letters of appointment of a Trustee or Liquidator in the case of an insolvency /liquidation together with contact particulars.

5.7 The Municipality may recover a rate annually, on application, from multi-property owners. Such application must reach the Municipality on or before 30 May of each year and the annual rates account is to be paid by 31 October of each year.

5.8 The payment of rates shall not be affected by reason of an objection, appeal or noncompliance with the Rates Policy of the Municipality.

5.9 A request for a reconciliation of any account shall be processed after payment of a prescribed fee.

5.10 Tokens for pre-paid electricity may only be refunded within 48 hours of purchase thereof.

5.11 There is no obligation on the Municipality to provide records older than 5 years from the date such records are requested.

## **6. RESPONSIBILITY FOR AMOUNTS DUE**

6.1 In terms of Section 118 (3) of the Systems Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the

property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property. Accordingly —

a. the owner of such property shall be liable for charges incurred in connection with such property and all municipal debts must be paid by the owner of such property without prejudice to any claim or right of recovery which the Municipality may have against another person; and

b. the Municipality reserves the right to cancel a contract with the customer in default and register the owner of such property for services on the property.

6.2 Where the property is owned by more than one person, each owner shall be jointly and severally liable, the one paying the other to be absolved, for all municipal debts charged on the property.

6.3 Owners with their tenants who are registered as customers shall be held jointly and severally liable, the one paying the other to be absolved, for debts on their property, except for property rates.

6.4 Refuse removal shall form part of the property debt payable by the owner of the property.

6.5 When a Juristic person opens a Service Account, the directors, members or trustees as the case may be must sign personal suretyships in favour of the Municipality. Liability for outstanding amounts maybe extended to such directors, members or trustees jointly and severally, the one paying the other to be absolved.

6.6 The Municipality may —

a. recover from a tenant, occupier or agent such monies as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner for so long as a tenant or occupier occupies a property in respect of which arrears are owing, or an agent acts for an owner in respect of whose property arrears are owing;

b. recover the amount in whole or in part despite any contractual obligation to the contrary on the part of the tenant, occupier or agent;

c. recover from the tenant, occupier or agent an amount which is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent; and

d. apply to the Companies and Intellectual Property Commission to re-register a deregistered company or close corporation or apply to court for an order of restoration or the voiding of the deregistration for the purposes of recovering the amounts owed by that company or close corporation for all municipal debts which have accrued and shall recover the costs of reregistration from the directors or members accordingly.

e. In the case of assets accruing to the State by operation of any law [(bona vacantia) – Section 76 (2) (i) of the PMFA] collect outstanding fees from the relevant treasury who may exercise all powers, authority and prerogatives, and fulfill any obligation on behalf of the state.

6.7 Should the tenant, occupier or agent refuse to pay as contemplated in subsection 6.6 to the Municipality, the services of the tenant, occupier or agent may be disconnected.

6.8 Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute that are due and payable, pending the finalisation of the dispute lodged in respect of the specific amount owed by the customer.

6.9 Subject to sections 20 and 21, where an existing Customer wishes to convert an existing electricity supply service to a Pre-paid meter, the customer must first settle all outstanding amounts or make a suitable arrangement to liquidate the outstanding amount as contemplated in section 24, before an application for a pre-paid meter may be considered.

6.10 On special projects identified by the Municipality, pre-paid meters may be zero costed.

6.11 In relation to low cost housing schemes, the Municipality may charge a fixed rate for property rates, which charge may be deducted via the pre-payment system.

6.12 The owner of the property may be held liable for tampering with the electricity metering equipment on the property as well as charges that arise therefrom.

6.13 Where any subsidiary company of a holding company is indebted to the Municipality, the liability for such arrears may be extended to the holding company; and where any holding company is indebted to the Municipality, the liability for such arrears may be extended to any subsidiary company

6.14 Debtors may be referred to a third party debt collector and tracing agent.

## **7. PAYMENT OPTIONS**

7.1 The Municipality will endeavour to establish a payment network to ensure that wherever practically possible; customers in receipt of accounts have access to a payment site within a reasonable distance of their home.

7.2 The Municipality shall accept payment under the following circumstances— a. Payment by cheque – provided it is a Bank cheque in ALL instance.

b. Payment via a Bank cheque, electronic funds transfer (EFT) or Cash for Settlement of final accounts.

c. Subject to a. and b. above, the following payment methods are also available: (i) EFT;

(ii) Internet Transfers;

iii) Third party collectors appointed from time to time by the Municipality; (iv) Direct Debit; and (v) Debit Order payments. d. The following shall apply for all EFT payments of the customer's arrears accounts: (i) Only proof of payments from customers will be accepted. (ii) The proof of payment will be verified, where applicable, for authenticity (through the submitting bank's website). (iii) All reconnection requests where services have been disconnected will ONLY be actioned once payments have been cleared and or receipted to the respective consumer accounts.

e. Customers whose accounts are in arrears are encouraged to pay at online sites in the Municipality's banking halls.

7.3 Cheques will not be accepted in any other circumstances except those listed in subsection 7.2 of this Policy.

7.4 Where any direct debit or payment made to the Municipality or an authorised official is later dishonoured by the bank, the Municipality or its authorised official— a. will recover the bank charges incurred relating to that dishonoured payment against the account of the customer;

b. may regard such an event as default on payment and the account shall be dealt with as an arrear account; and

7.5 The methods of payment shall be determined by the CFO from time to time.

7.6 Where a customer signs a Credit Authority with the Municipality, payment shall, as far as possible, only be accepted via a direct debit procedure.

## **8. FULL AND FINAL SETTLEMENT**

8.1 Where the exact amount due and payable has not been paid in full, any lesser amount tendered and receipted, shall not be in full and final settlement of such an account, except when duly accepted in terms of a delegated authority.

8.2 Subsection 8.1 shall prevail notwithstanding the fact that such lesser payment was tendered or receipted in full settlement.

8.3 The CFO must be consulted on any settlement, out of court or otherwise, that has a financial implication on the Municipality.

## **9. CASH ALLOCATION**

9.1 In accordance with section 102 of the Systems Act, the Municipality may— a. consolidate any separate accounts of persons liable for payments to the Municipality;

b. credit a payment by such a person against ANY account of that person; and

c. implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.

9.2 Any amounts paid may be appropriated to the oldest debt first.

9.3 Any amount paid by the customer in excess of an existing debt may be held in credit for the customer in anticipation of future rates and fees for municipal services, and no interest will be payable on that amount.

9.4 The Municipality's allocation of payment is not negotiable and the customer may not choose which account to pay.

## **10. INTEREST AND ADMINISTRATIVE CHARGES**

10.1 Interest charges are raised on arrears accounts.

10.2 The legal rate of interest raised on arrears is equivalent to 1.5%.

10.3 Interest shall accrue 30 days from date of account on unpaid accounts. Interest shall accrue for each completed month in respect of any arrears remaining unpaid after 30 days of the account. A part of a month shall be deemed to be a completed month on the basis that interest is charged as from the first day of the account being in arrears.

10.4 Payments on assessed or estimated charges, where the final amount has not been determined but which would have been due and payable had the amount been determined, shall attract interest from the date when it would have been so due and payable. For example, 30 days from date of account.

10.5 Where a debtor qualifies for a full reduction in the value of his property, and where such debtor enters into an Acknowledgement of Debt with the Municipality to pay off arrears for service charges, no further interest will be added to the arrears outstanding if during the period, the debtor adheres to the agreement.

10.6 Interest may only be reversed under the following circumstances– a. exemptions as determined by this Policy from time to time;

b. if the Municipality has made an administrative error on the account;

c. Where any debt has arisen as a result of a faulty meter or the Municipality has applied an incorrect charge, meter constant or tariff due to an administrative error;

d. where the Municipality approves such reversal from time to time.

10.7 An administrative charge as determined by a Resolution of the Municipal Council shall be levied on arrear rates where the Municipality has instituted legal action against the owner by service of summons to recover same.

## **11. PROCUREMENT OF GOODS AND SERVICES AND PAYMENTS IN TERMS OF CONTRACTS**

11.1 When submitting a tender for the provision of services or the delivery of goods, each potential tenderer must prove to the satisfaction of the Municipality that all accounts for which the tenderer is liable, have been paid up to date, and that all accounts for which each and every director, member, owner, partner or trustee of the tenderer is liable, have also been paid up to date.

11.2 The Municipality will at its sole discretion check whether all the municipal accounts are up to date. Copies of all current accounts sent to the tenderer and to each director, member, owner, partner or trustee must be attached to the tender documents.

11.3 Before awarding a tender, the Municipal debts of the tenderer and of each director, member, owner, partner or trustee of the tenderer must be paid in full.

11.4 Where payments are due to a creditor of the Municipality, or in terms of any contractual arrangement with the Municipality, any arrear amount owing to the Municipality may be set off against such payments.

11.6 This Policy applies to quotations, public tenders and tenders in terms of section 36 of the Municipality's Supply Chain Management Policy.

## **12. AGREEMENT WITH EMPLOYERS**

12.1 Section 103 of the Systems Act reads as follows— A Municipality may— (a) with the consent of a person liable to the Municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with that person's employer to deduct from the salary or wages of that person- (i) any outstanding amounts due by that person to the Municipality; or (ii) regular monthly amounts as may be agreed.

12.2 In the event that the employee voluntarily chooses to use the method of payment as contemplated in subsection 12.1 for the payment of his or her municipal accounts, the employee may approach the Municipality for the agreement to be concluded.

12.3 A collection commission may be payable to the employer as determined from time to time.

## **13. STAFF, COUNCILLORS AND WARD COMMITTEE MEMBERS IN ARREARS**

13.1 a. Item 10 of Schedule 2 to the Systems Act (Code of Conduct for Municipal Staff Members) states that—

i. a staff member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than three (3) months; and ii. a Municipality may deduct any outstanding amounts from a staff member's salary after this period; and

b. The Municipality shall liaise with the relevant staff on repayment of their arrears.

c. The staff member must sign a Credit Authority and direct debit deduction form in accordance with this Policy

d. No special treatment shall be afforded to staff members whose accounts are arrears.

e. Any staff member who has breached the code will be dealt with in accordance with the disciplinary procedures adopted by the Municipality or as prescribed by Law or determined by a Collective Agreement.

13.2 a. Item 12A of Schedule 1 to the Systems Act states that a Councillor may not be in arrears to the Municipality for a period longer than three months.

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

13.3 Where the Municipality is satisfied with the reasons supplied by the staff member or Councillor stating why the account is in arrears, the staff member or Councillor must pay such arrears within a period of 3 months with interest.

13.4 On appointment to a higher post, employees who have signed a Credit Authority shall increase their instalments on the Credit Authority in accordance with their new salary increase.

13.5 Staff and Councillors do not qualify for the Debt Relief Program under section 16.

13.6 The Council reserves the right to deduct any arrears from the stipend or any other amounts payable to ward committee members.

## **14. ARREAR ACCOUNTS**

### **Disconnection and Reconnection of Services**

14.1 Arrears on rates, services or any other consolidated debt may result in disconnection of ANY service or withholding use of municipal facilities.

14.2 A disconnection penalty fee, as determined by the CFO, from time to time, will be raised on all accounts printed for disconnection.

14.3 A reconnection fee will be raised on reconnection of services

14.4 Any official or contractor appointed by the Municipality for the purposes set out herein, may, at all reasonable times enter any premises to which services are supplied by the Municipality, in order to inspect pipes, wires or any apparatus used for the supply of services and belonging to the Municipality, for the purpose of ascertaining the quantity of services supplied or consumed, or to disconnect or terminate such supply or remove any apparatus belonging to the Municipality.

14.5 Should the owner fail to allow access to the premises or the property to which services are supplied by the Municipality on three consecutive occasions, the CFO may, having given due notice, disconnect, stop or restrict or discontinue the provision of any service, and the owner, at his or her cost should opt for a pre-paid meter.

14.6 The owner of the property remains liable and responsible for all instances of un-authorized reconnections and disconnections, tampering, damage or theft of municipal infrastructure, and services installed in the property. Further, the onus is upon the owner to ensure that tenants on the premises or the property refrain from such acts.

14.7 Un-authorized reconnection of, or tampering with a service supply is prohibited and shall constitute a criminal offence that will result in legal action being taken against the owner and disconnection of municipal services.

14.8 Subject to applicable legislation, the Municipality may refuse the supply of electricity to a consumer who is found guilty of fraud, theft or any other criminal offence related to municipal services, or, where it is evident that such criminal offence has occurred, until such time as the total costs, penalties, other fees, illegal consumption and any applicable tariffs and rates due to the Municipality have been paid in full.

14.9 Reconnections of municipal services will only be allowed when all applicable penalties and fees have been paid and the debt has been extinguished or suitable arrangements have been made to settle the debt.

14.10 Services may be dis-connected , after due notice has been given ,where the– a. owner or tenant is deceased; or b. company, close corporation or trust has been deregistered, and such has not been reported to the Municipality.

14.11 Reconnection of services where services have been disconnected in terms of subsection 14.10 above will be authorized when– a. an executor has been appointed; or b. the Company or Close corporation has been re-registered.

14.12 The services of customers on pre-paid meters, who tamper with their services, will be disconnected and any amounts due to the Municipality will become payable immediately.

14.13 Where a municipal service, which is not in the name of the registered owner, has been restricted, disconnected or discontinued, the CFO may, subject to the principles of administrative justice, insist that the service be transferred into the name of such property owner; and a. Notwithstanding subsection 14.13, the CFO may at any other time insist that the service be transferred into the name of such property owner.

14.14 Any additional grounds for disconnecting municipal services as set out in the Bylaw, shall be deemed to form part of this Policy.

### **Payment Arrangements**

A customer with an account in arrears needs to make an arrangement with a minimum monthly payments as per below categories:

- Residential -10% of the debt plus current monthly billing
- Business - 15% of the debt plus current monthly billing
- Agricultural - 15% of the debt plus current monthly billing
- Industrial - 20% of the debt plus current monthly billing
- Mining - 30% of the debt plus current monthly billing
- State Owned - 100% of the debt

## **15. DEBT RELIEF PROGRAMME**

15.1 The debt relief programme is aimed at assisting customers who are in arrears for service charges, for sixty (60) days or more. Customers, excluding officials and Councillors, eligible for the debt relief programme are those families– a. who reside on property with a rateable value as determined by the Municipality at its annual budget; or

b. who, irrespective of the property value, are confirmed by the CFO as being too poor to be able to afford their current electricity services debt; after having taken into consideration an assessment report from a Social Development Officer in terms of subsection 16.2.b; or

c. where the Customer has temporarily lost employment and has been assessed by a social worker in terms of subsection 16.2.b.

15.2 The following criteria must be met before a customer will be regarded as eligible for debt relief: a. a comprehensive report by the ward or PR councillor on the customer must be submitted to the Municipality;

b. an assessment and report by the municipal Social Development Officer who would present his or her opinion, based on a site visit, on whether the family qualifies for debt relief;

c. a verification report by a electricity official; and

d. approval by the **Chief Financial Officer** in respect of municipal property values allowed for rates relief

15.3 The customer must sign a contract and have the conditions of the contract explained. Subject to subsection 16.5, the debt will be written off over a period of twenty (20) months.

## **16. TERMINATION / TRANSFER OF SERVICES**

16.1. At least fourteen (14) days' notice is required from the customer upon termination or transfer of an account, to enable the Municipality to take final meter readings and process account adjustments.

16.2. Once the account is terminated, the account must thereafter be linked to the owner's rates account.

16.3. The Municipality will may terminate Electricity supply, at the request of a Landlord or owner, where there are occupiers on the property or premises and the Landlord or the owner is a Customer in respect of such supply.

16.4. A customer who wishes to terminate, disconnect or remove Electricity Supply where there are occupiers on the property or premises, must, before such an application may be considered:

(a) Provide the Municipality with proof that the occupiers have been given 14 days' notice of the proposed termination (not later than 30 days prior to the lodging of an application with the Municipality); and

(b) Settle all amounts owing to the Municipality or make a suitable arrangement to liquidate the debt as contemplated in section 24 of this Policy.

16.5. The requirement to give 14 days' notice mentioned in subsection 18.4 above is in line with the Constitutional Court decision in Joseph and Others v City of Johannesburg & Others CCT 43/09 and the principles of administrative justice.

16.6. The Municipality may exercise its common-law right where a tenant on a property is in breach of his or her contract with the Municipality, and transfer the debt to the owners' account. The tenant shall forfeit his or her deposit to the owner where the outstanding debt is paid by the owner.

## **17. UNALLOCATED CONSUMPTION**

17.1 Notwithstanding that an electricity service may have been disconnected, the registered owner remains liable to monitor his /her property as well as the metering as defined in this Policy. Accordingly when electricity consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised, the relevant charges for electricity services shall be raised against the registered owner on his or her consolidated bill. Furthermore, the Municipality has the right to remove relevant Municipal infrastructure (and other components) at the cadastral boundary of the property to ensure that ongoing electricity consumption is terminated.

## **18. METER READINGS**

The Municipality may estimate readings and read meters in accordance with the period prescribed in the respective electricity Policies and By-laws.

## **19. DEBT RECOVERY USING THE PRE-PAYMENT METERING SYSTEM (RESIDENTIAL CUSTOMER ONLY)**

19.1 A Customer whose account is in arrears may apply to the CFO on a prescribed form for the 50/50 pre-payment debt recovery facility.

19.2 In order to qualify for the 50/50 pre-payment debt recovery facility, the following minimum criteria must be met:

- a. A Customer's account must be in arrears in an amount exceeding R500; and
- b. The Municipal valuation of the Customer's property must not exceed R250 000, save that in the case of a Senior Citizen, the Municipal property valuation must not exceed R460 000;
- c. A Customer must be a Residential Customer;
- d. A customer must sign an Acknowledgement of Debt in favour of the Municipality in respect of the total outstanding indebtedness;

19.3 The CFO is not obliged to grant an application for the 50/50 pre-payment debt recovery facility.

19.4 When concluding the Acknowledgement of Debt, the customer's deposit will be appropriated towards reducing the outstanding debt.

19.5 Where an application for the 50/50 pre-payment debt recovery facility is approved, NO connection fee in respect of the prepaid meter and or additional charges or additional deposit will be raised for the Customer whose electricity meter was not tampered with and or was not removed on account of tampering.

19.6 A Customer whose account is in arrears and whose meter has been tampered with will be liable to pay a connection fee and sign an Acknowledgement of Debt before a prepaid meter can be installed on site. Such connection fee may, in the discretion of the CFO, be added to the principal debt owing under the Acknowledgment of Debt.

19.7 Upon conclusion of an Acknowledgment of Debt, it will be incumbent upon the Customer to complete such documents as maybe required by the eMadlangeni Electricity Department for the installation of the pre-payment metering system.

19.8 Child - Headed Households must meet the requirements as set out in the Municipality's Rates Policy and an application must be made with the consent of the Social Development Officer appointed by the Municipality.

## **20. REVENUE CLEARANCE CERTIFICATES**

Subject to Sections 118(1) and (1A) of the Systems Act, the following shall apply to the issue of a revenue clearance certificate for the purpose of effecting transfer of a property to a new owner.

### **20.1 Assessments–**

- a. an application shall be made by a conveyancer, in the prescribed format. Each application must be accompanied by the relevant application fee. The application will not be processed until the fee is paid.
- b. copies of all current accounts must accompany any application made manually. If the relevant information is not provided, the application will be returned to the conveyancer.
- c. the new owner may be held liable post transfer should the application not record the correct meter numbers on the property.
- d. the Municipality does not accept responsibility for errors on manual applications. The Conveyancer must check that all details on the application, assessment and the revenue clearance certificate are correct.
- e. assessed figures are calculated ninety (90) days in advance. Service charges are estimated for ninety (90) days based on previous consumption, taking into account any existing Rebate.
- f. upon the receipt of the revenue clearance certificate request, a letter shall be sent to the nominated Conveyancer notifying him or her about his or her responsibilities to inform both the seller and the purchaser regarding the total amount of municipal outstanding debts charged against the property.
- g. an "Attorneys' Report" in respect of all amounts owing and the assessed figures, shall be issued upon the receipt of the request for the report.
- h. the assessment shall remain valid for a period of thirty (30) days from the issue date. If payment has not been received within this period, a re-assessment may be required and payment of a further application fee will apply.

i. amounts raised on the Supplementary Valuation Roll prior to the effective date of that roll, will be billed for the purpose of the assessment. The seller shall be deemed to have waived his right to be billed on the effective date of such roll.

j. prior to the issue of a revenue clearance certificate for a subdivision which is still held under the title of the parent property, the owner/seller must, subject to the provisions of section 21.1.o pay all debt on the parent property. The onus rests with the owner/seller to ensure that on new subdivisions, the debts on the parent property are fully paid.

k. any discrepancies may result in delays in the issuing of a revenue clearance certificate, and in addition may result in the levying of additional backdated rates, penalties or charges.

l. any amounts paid shall be appropriated to the oldest debt first.

m. a separate application is required for each transfer.

n. an assessment in terms of S118 (1) of the Systems Act will only be issued on request by a Conveyancer.

o. the balance of the debt, prior to the two years preceding the date of application of a certificate, shall remain as a charge against the property. The Municipality shall exercise its rights to recover such debt as guided by the law on the application of section 118 of the Systems Act.

p. the Municipality reserves the right not to provide services on the property until all debt is fully paid or suitable arrangements are made to pay the debt;

q. the onus is on the Conveyancer to advise the purchaser of the provisions of section 20.1. o and p above.

r. where the Municipal account is in respect of a debt consolidated under Section 102 of the Systems Act, the said consolidated account will be deconsolidated on application for a revenue clearance certificate. An account for the property subject to the Revenue Clearance application will be rendered together with the full interest that accrued on the consolidated account.

s. a revenue clearance certificate shall be issued within ten (10) days of the date of payment of the amount requested in the "Attorneys' Report".

t. Where simultaneous transfers of a property are contemplated, the Conveyancer must apply for a separate revenue clearance certificate in respect of each new transfer.

#### 20.2 Revenue Clearance Certificates—

a. Payment of the assessment must be made in cash, EFT payments, direct debit, bank transfers, bank cheques or other instruments accepted by the CFO from time to time.

b. There shall be no refunds on the cancellation of a sale or otherwise.

c. The Certificate shall be valid for a period of **nighty (90)** days from date of issue.

d. The certificate shall be endorsed with the balance owing as a charge against the property in order to bring the same to the attention of the seller, buyer and conveyancer. The onus is on the conveyancer to advise his or her clients accordingly.

e. The Municipality may institute legal proceedings to recover the balance owed from the persons referred to section 20.1 o.

f. The Municipality reserves the right to follow any of the legal mechanisms available to it in order to recover the balance of the debt, including, lodging an urgent application to interdict the sale of the property until the debt is paid in full.

g. All Collection Charges incurred in pursuing recovery of arrears, shall be levied against the debtor's account.

20.3 Information and contact details of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner (purchaser) for the purposes of billing for rates, services and consolidated accounts, until the same has been changed by the purchaser.

20.4 On the date of ownership transfer, the previous owner's (the Seller) service agreement will be deemed to have lapsed, and, subject to the rights of the Municipality in terms of section 6.1(c) and 20.1p of this Policy, the new owner (purchaser) must conclude a new service agreement with the Municipality.

20.5 The seller shall furnish to the Municipality new contact details, in writing, comprising a postal and physical address and such further information as may be determined by the CFO from time to time, prior to the Municipality issuing the rates clearance certificate. The seller shall continue to keep the Municipality informed of any change in contact details until such time as the Municipality has confirmed in writing that all amounts that became due whilst the property was in the ownership of the seller (whether or not raised at the time of the rates clearance certificate) have been paid up. Non-compliance with this clause will be regarded as an offence.

20.6 Where, subsequent to the transfer of ownership of a property, a Municipality becomes aware of any Municipal Charges that ought to have been raised in terms of any Legislation (e.g. the MPRA) or this Policy against a predecessor in title to the property, the Municipality reserves the right to levy such Charges against the new owner (purchaser); provided that that the new owner (purchaser) shall only be liable for those Charges that become due and payable with effect from the date of transfer.

## **21. LEGAL ACTION**

21.1 Legal proceedings may be instituted by the Municipality to recover arrear amounts on service accounts, where—

- a. disconnection action yielded no satisfactory result;
- b. disconnection action is not possible due to the nature of the services for which the account has been rendered; or
- c. the arrears are older than ninety (60) days.

21.2 The Municipality may, in terms of Sections 28 and 29 of the MPRA, recover arrear rates from tenants in occupation of the relevant property, or managing agents, but only to the extent of the rent payable or amount due by the tenant but not yet paid to the owner of the property. This does not preclude further legal action against the owner.

21.3 For residential properties occupied by owners, all reasonable steps shall be taken to ensure that the ultimate sanction of judgment and sale-in-execution is avoided or taken as the last resort. The Municipality, however, has total commitment to follow the legal process through to judgment and sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time.

21.4 Once judgment is obtained the properties will be advertised and sold through public auction, unless appropriate settlement has been made to the satisfaction of the Municipality. The Municipality shall assess annually, the appropriate minimum amount below which it will not attach homes.

21.5 All Collection Charges shall be debited to the relevant debtor's account.

21.6 Proceeds of the Sale in Execution may be appropriated to any of the debtor's accounts in arrears.

21.7 Metering and connection equipment remain in the ownership of the Municipality at all times and the owner of the property, on which such meters and connection equipment is installed, shall be held responsible for all instances of tampering, damage or theft. Accordingly, the owner of the property concerned is liable for any breach of this duty and may be prosecuted.

21.8 Where a Sectional Title Body Corporate is in arrears, the CFO may apply to court for the appointment of an administrator in terms of Sections 46 and 47 of the Sectional Titles Act 95 of 1986, as amended.

## **22. CREDIT AUTHORITIES IN RESPECT OF ARREARS IN TERMS OF SECTION 58 OF THE MAGISTRATES COURTS ACT**

22.1 The Municipality may, at its discretion, enter into a Credit Authority in the prescribed form, incorporating a consent to judgment in terms of section 58 of the Magistrates Courts Act, with customers and owners in arrears with Municipal service fees, surcharges on fees, property rates and other municipal taxes, levies, duties and sundry charges, after consideration of an application submitted by such persons as prescribed by the Municipality.

22.2 The Municipality may conduct a credit check and request certain information from a customer or owner in order to satisfy itself that the customer or owner will be able to honor the agreement. Such credit check may include a full risk analysis of the customer or owner concerned to determine his/hers/it's: (a) Risk profile as an individual/entity; and

(b) Interests in any Juristic person.

22.3 Before any Credit Authority is concluded, all municipal service fees, surcharges on fees, property rates and other municipal taxes, levies, duties and sundry charges must be consolidated onto one account (if not done previously) and a Credit Authority concluded for the full debt.

22.4 The customers' current account must be paid in full, and maintained, for the duration of the Credit Authority.

22.5 The owner of a property must consent in writing to a Credit Authority being entered into between the Municipality and his or her tenant. The owner consents to judgment should the tenant breach the Credit Authority.

22.6 Should the tenant breach the Credit Authority referred to in subsection 23.5 above, the Credit Authority and the account shall be terminated immediately with the tenant and linked to the owner's rate account.

22.7 Re-connection and disconnection fees, where applicable, must be paid in full before any Credit Authority can be entered into.

22.8 By entering into a Credit Authority, the debtor(s), and where applicable, the owner, acknowledge that failure to meet any installment will result in prompt disconnection action being taken, without prejudice to any legal action that the Municipality may take to recover the arrears.

22.9 Credit authorities to be concluded with Juristic persons shall require; a. documentation and information as set out in section 3.12 above as maybe applicable.—

b. the financial situation of the Juristic person to be reviewed taking into account latest audited financial statements and other supporting documentation relevant to their financial position.

c. Deeds of suretyship in favour of the Municipality, by the persons referred to in subsection 3.12 (b) above, as the case maybe; in an amount equivalent to the value of the debt plus current accounts; and

d. the deposit to be reviewed.

22.10 A Credit Authority may not be granted where— a. arrears have arisen due to dishonoured cheques or direct debit reversals; b. instances of repeated meter tampering have been identified; etc. the services have been removed; or d. Any other relevant factors.

22.11 Where any debt has arisen as a result of a faulty meter or the Municipality having applied an incorrect charge or tariff, the customer may arrange to pay the debt over a maximum period at the discretion of the CFO.

22.12 The amount of the down payment and the period of the Credit Authority shall be at the discretion of the CFO.

22.13 The Credit Authority shall be terminated if a debtor relocates from the property. The balance owing shall become immediately due and payable.

22.14 The monthly installments on a Credit Authority are payable within twenty one (21) days from the date of the account notwithstanding any further extension of time printed on the face of the account.

22.15 A Credit Authority shall be cancelled upon application for a revenue clearance certificate on the property, and the whole debt shall become due, owing and payable, notwithstanding any agreement to the contrary.

22.16 Where the Credit Authority is based on interim readings, the amounts on the Credit Authority will accordingly be adjusted once the actual readings are taken. The customer must sign any additional documentation relative to this.

22.17 A Credit Authority for staff and councillors shall be in accordance with section 13.

22.18 The customer who signs a Credit Authority must make payment to the Municipality via a Debit Order.

22.19 The Municipality is not a Credit Provider within the meaning of the National Credit Act, 2005 (Act No 34 of 2005). Nothing in this Policy should be construed as conferring such status on the Municipality.

### **23. DISPUTES**

23.1 A customer who wishes to lodge a dispute in respect of an account must submit the dispute in writing, on the prescribed form, to the Authorised Official as defined in this Policy stating the reasons for such dispute and any relevant facts, information or representation which the Authorised Official should consider to resolve the dispute.

23.2 The dispute must be submitted within twenty one (21) days of the account. If a dispute is raised after this period, it will be treated as an enquiry, the account will not be suspended and normal credit control procedures will apply.

23.3 The dispute must relate to a specific amount on the account. Amounts not in dispute must be paid in full. If the amounts not in dispute remains unpaid, services may be disconnected.

23.4 Should any dispute arise with respect to the amount owing, the debtor will continue to make regular payments based on the average charges for the preceding three (3) months prior to the dispute, plus interest where applicable.

23.5 A query is not regarded as a dispute. A query is a verbal inquiry whereas a dispute must be in writing and lodged with the relevant municipal department or section.

23.6 Proven tampering charges are not regarded as a dispute.

23.7 The customer must provide the Authorised Official with the account alleged to be in dispute, which includes incorrect readings, misallocation of payments, incorrect tariffs charged and incorrect property values used and any other relevant information that may be required.

23.8 The Authorised Official: a) May investigate or cause the dispute to be investigated within 30 days, or as soon as possible after such dispute is received; b) May hear representations, or call for

additional information /documentation from a Customer who disputes an account; c) Must inform the customer, promptly, in writing, of his or her finding after conclusion of the investigation; d) Must take a decision, based on the spirit of the Policy.

23.9 A dispute submitted above shall not stop or defer the continuation of any credit control and legal procedure already instituted for the recovery of arrear payments relating to such dispute.

23.10 The customer has the right to appeal to the CFO against the decision of the Authorised Official. The CFO may hear representations and either confirm, vary or revoke the decision of the Authorised Official and must communicate his decision within 30 days of date of receipt of the appeal or as soon thereafter as possible.

23.11 A person whose rights are affected by the decision of the CFO may lodge an appeal against that decision within 21 days of the date of notification of the decision, to the Municipal Manager in terms of section 62 of the Systems Act. The appeal must be lodged on the prescribed form.

23.12 Disputes regarding the General Valuation Roll must be submitted to the **Municipality's Revenue** Unit in the form of an objection or appeal as envisaged by Sections 50 and 54 of the MPRA. The account must be paid in full until an objection or appeal outcome is reached where after the account will be credited or debited accordingly.

#### **24. REFUNDS**

24.1 Credits on accounts shall only be refunded:

24.1.1 On application and subject to the entire customer's accounts being fully paid,

a. to the previous owner on credit remaining on the transfer of property;

b. to pay the buyer or seller, on transfer of a property, unless otherwise directed by an order of Court.

24.2 A refund shall be forfeited after 3 years if it remains unclaimed.

#### **25. DECEASED ESTATES**

25.1. The Executor of a Deceased Estate shall be liable for payment of all debts on the property.

25.2. For the purposes of liability for an account, including a consolidated account, the occupier or occupiers of a property which vests in a deceased estate where neither an executor nor administrator has been appointed, will be regarded as the Deemed Owner. The CFO may request a deemed owner to sign a services agreement. Where there is more than one occupier on the property, every occupier will be jointly and severally liable for an account or consolidated account.

25.3. "Deemed Ownership" does not confer any rights on an occupier other than the liability to pay the accounts.

25.4. In accordance with subsection 14.10, failure to inform the Municipality that the property forms part of a deceased estate may result in the disconnection of services, until an executor has been appointed.

## **26. HOUSING**

26.1 This Policy shall apply equally to tenants.

26.2 Where the Municipality has sold a property in a suspensive sale agreement to a tenant and that owner or tenant is responsible for the rates and service charges on that property, the accounts will be consolidated with rates, and services will be disconnected for non-payment.

26.3 Where tenants are substituted in terms of the any Municipal Policy, Legislation or agreement, the substituted tenant shall assume the rights and obligations of the one so substituted, including all debts, credit authorities and deposits.

## **27. IRRECOVERABLE DEBT**

27.1 Debt will only be considered as irrecoverable if it complies with one or more of the following criteria—

- a. all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount;
- b. any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it;
- c. the cost to recover the debt does not warrant further action;
- d. it has been proven that the debt has prescribed;
- e. the debtor is untraceable or cannot be identified so as to proceed with further action;
- f. the debtor has emigrated leaving no assets of value to cost-effectively recover the Municipality's claim;
- g. it is not possible to prove the debt outstanding;
- h. a court has ruled that the claim is not recoverable;
- i. the claim is subject to any order of court;
- j. the claim is subject to an out of court settlement agreement;
- k. the debt is subject to a settlement in terms of section 109 of the Systems Act;
- l. the Municipality has resolved that the debt is irrecoverable;
- m. if an offer of Full and Final Settlement is accepted and confirmed in writing by the Legal and CFO if it has financial implications;
- n. the outstanding amount is—
  - i. as a result of an administration error;

ii. An interest as a result of a property debt that arose prior to the current owner taking transfer and successive transfers before his; or

o. Expenditure incurred in respect of internal accounts raised in the name of the Municipality, in any previous financial year;

p. conversion of old dormant account balances of debtors, inherited from the previous municipalities which now form part of the Municipality, and where reasonable steps have been taken to recover these debts; or

q. where the Municipality-

i. expropriates any property; or

ii. purchases any property in terms of its Sales in Execution.

27.2. Provided there is sufficient provision for bad debt, the CFO shall write off any revenue which is irrecoverable or the recovery of which is considered not to be reasonably practicable.

27.3. The CFO must report to Council all amounts that have been written off as irrecoverable with the Section 71 MFMA report.

## **28. LEASES**

28.1 Persons who lease property from the Municipality for the purposes of any business or trade must sign a surety agreement covering all debt incurred on the said property during the duration of the lease.

28.2 Where the lessee is a company or close corporation, the directors or members are required to sign a personal surety covering all debt incurred on the said property during the duration of the lease.

28.3 Municipal service accounts must be opened in the name of the lessee only. The rates and services accounts will be consolidated.

28.4 Sub-lessees' may open service accounts in their names with the consent of the Legal and provided that the account is consolidated with the rates account.

## **29. SANCTIONS AND COLLECTIONS**

29.1 Where an account rendered to a debtor remains outstanding for more than 90 [ninety] days the defaulting debtor's name may, at the option of the Municipality, be listed with a credit bureau or any other equivalent body as a defaulter,

29.2 Emolument attachment orders in the case of employed debtors, and eviction processes may be implemented as part of the debt collection procedures.

### **30. CLAIMS IN RESPECT OF DAMAGE TO SERVICE INFRASTRUCTURE AND MUNICIPAL PROPERTY**

30.1 Where a contractor has been engaged to provide services or to deliver goods on behalf of the Municipality and the contractor damages/destroys service infrastructure or Municipal property, the following will apply:

30.1.1 The contractor must forthwith notify the relevant department within the municipality, e.g. eMadlangeni Electricity Department whose service infrastructure or Municipal property was damaged/destroyed, so that a claim can be submitted to the Municipality's Insurance section or where applicable, to the Municipality's Insurance Company in order to quantify and recover the damages sustained.

30.1.2 The contractor shall remain liable for the damage caused to the service infrastructure or Municipal property notwithstanding that its contract with the Municipality may have terminated or been cancelled.

30.1.3 Upon quantification of the damages sustained, the CFO shall issue a certification of the quantum. Such certification shall be deemed to be a liquid document for purposes of recovery of the damages.

30.1.4 The damages shall become a collectable debt in terms of this Policy.

### **31. MISREPRESENTATION**

31.1 Any person who has received any benefit or relief in terms of this Policy and who has misrepresented themselves in order to qualify for such benefit or relief will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Municipality from time to time, and the CFO— (a) Will reverse all benefits and relief received;

(b) Will raise any fee, as determined by Council from time to time, as set out in the Tariff Policy; and

(c) Will cancel any Credit Authority and all amounts due to the Municipality will become payable immediately.

31.2 The Municipal Manager shall report any misrepresentation in terms of this Policy to the South African Police Services.

### **32. POLICY EVALUATION AND REVIEW**

To be in a position to measure the outcome of the Policy, the Municipality believes that the output of this Policy should be measured in terms of general recognised accounting practices and the following benchmarks will be applicable:

Total amount outstanding 365 DEBT COLLECTION PERIOD = revenue X 1 ANNUAL  
DEBTORS last 12 months receipts from debtors 100 COLLECTION RATE = last 12 months  
billing X 1

The norm on the debt collection period is set at 60days and the collection rate is set at 85%

### **33. COUNCIL APPROVAL AND EFFECTIVE DATE**

SIGNED BY ACCOUNTING OFFICER

.....

GN MAVUNDLA

DATE:

# EMADLANGENI MUNICIPALITY



## **FINAL VIREMENT POLICY 2025-26**

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## **1. PURPOSE**

The purpose of this policy is to provide a guideline for management in their day-to-day management of their budgets.

## **2. BACKGROUND**

The Municipal Council approves a medium term expenditure framework budget (3 - year budget) before the start of the financial year. The approved budget is an estimation of the activities in the financial terms period. The budget consists of an operating and capital budget based on the strategic objectives of the local government. In practice, as the year progresses, circumstances may change such that certain estimates are under-budgeted and other over-budgeted. It is not practical to refer any such deviations to Council and it is therefore common practice to delegate certain authority for transfers to the Mayor and senior officials.

## **3. LEGISLATION REQUIREMENTS**

In terms of the Constitution the approval of a budget is the responsibility of the Council. This does not mean the approval of every line item but is rather aimed at the approval of the budget as a financial and service delivery document. The process and other requirements are controlled by the Municipal Finance Management Act (MFMA) and related circulars and guideline that are prescribed by National Treasury.

Unlike the Public Finance Management Act, Act 1 of 1999 (PFMA) and Treasury Regulation on PFMA, the MFMA is not specific with regards to virements.

#### **4. DELEGATIONS ON CAPITAL BUDGETS**

A Capital Budget is approved per line item or project. This in effect means that council does not allow any discretion to an official other than delivering on the decision. Any saving or shortfall must be reported to council for them to decide on the future utilization of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project.

Virements between capital and operating budget - refer to paragraph 5.5

#### **5. DELEGATION ON TRANSFERS**

##### **5.1. Transfers between Votes**

A "Vote" in terms of National guidelines is determined as one of the main segments into which a budget of a municipality is divided for the appropriation of funds for different departments or functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area. Council therefore decides on the total amount that is allocated to that specific function and classifies it as a vote. Only the shifting of funds within the "vote" can be delegated to the Mayor, the Accounting Officer, the Chief Financial Officer or any other senior Manager, because Council approves the "vote". As far as the reallocation of funds between "Votes" is concerned it cannot be delegated and Council has to decide on each of them.

## **5.2 Transfers between Cost/Functional Centers**

Transfer between line item budgets between cost/functional centers within a specific "vote" is delegate to the Mayor through a procedure that must be informed by the Budget Steering Committee. The Mayor is the chairperson of the Budget Steering Committee where he/she will play their political oversight and where he/she can be informed by the Accounting Officer, the Chief Financial Officer and other senior functional managers. Any transfer of funds between cost/functional centers by the Mayor must be informed in writing by comments from the Accounting Officer and the Chief Financial Officer. The amount of transfer by the Mayor and the Accounting Officer (Municipal Manager) is limited by the Delegation of Authority; and this amount is revised from time to time in line with the revision of the delegations.

## **5.3 Transfers between Different Categories (Cost/Functional Categories)**

The transfer of budgets between different categories within a functional or cost centre can be delegated. Although no legal prevention exists to delegate such a function it can create a strategic problem. Although council approves a strategic document in the form of "Votes" the decision is based on information provided by a budget report. Based on this report certain assumptions are made. If the delegated person or party now decides to use staff expense money for maintenance it can create a problem.

## **5.4 Transfers within Categories**

The transfer of budgeted amount within categories is delegated to the Accounting Officer and can only be considered on advice in writing by the Chief Financial Officer. The Accounting Officer can delegate his authority to the Chief Financial Officer. The maximum amount that can be

transferred in terms of this delegation is one hundred thousand (R100, 000) rand per case. Anything above that amount must be referred to the Mayor for approval under his/her limitation of two hundred thousand (R200 000) per case. Anything above R200 000 must be referred to Council for approval.

The transfer of funds between line items within the category "General Expenses" and "Maintenance" up to a maximum of 5% of the budgeted line item amount can be delegated to senior management and manager budget office by the Accounting Officer.

#### **5.5 Transfer from Capital to Operating Budget**

Transfer from capital to operating budget and vice versa can only be approved by the Mayor with recommendation from the Accounting Officer. The amount to be transferred is limited to an amount of one hundred thousand (R100 000) rand. The virements should be made within the approved budget.

### **6 GENERAL**

The purpose of this delegation is to improve the pace at which service delivery is done and to make functionaries more accountable for their action. Members delegated these functions shall be obliged to report to Council every three (3) months all their function done under this delegation.

SIGNED BY ACCOUNTING OFFICER

.....  
GN MAVUNDLA

DATE:

# **EMADLANGENI LOCAL MUNICIPALITY**



## **BAD DEBT WRITE-OFF & IMPAIRMENT OF DEBTS POLICY**

**2025/2026**

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# **POLICY ON PROVISION FOR DOUBTFUL DEBT AND WRITE-OFF OF IRRECOVERABLE DEBT**

## **1. DEFINITIONS**

For the purposes of this policy the following definitions are applicable:

**“Debt”** - means an amount owing to the Municipality;

**“Debtor”** – means a person who owes the Municipality money for rates/services rendered;

**“First time”** – means from the 2018/ 2019 financial year and onwards.

**“Account Holder”** includes a customer/consumer and refers to any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

**“Arrangements”** means a formal agreement entered into between the Council and a debtor where specific repayment parameters are agreed to.

**“Arrears”** means any amount due, owing and payable by a customer in respect of a municipal account not paid on the due date;

**“Chief Financial Officer”** refers to the person so designated in terms of Section 75(2)(a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any person duly authorised to act on behalf of such person.

**“Council”** refers to the eMadlangeni Municipality and its successors in law and includes the Council of that municipality or its Executive Committee or any other body acting by virtue of any power delegated to it in terms of legislation, as well as any official to whom the Executive Committee has delegated any powers and duties with regard to this policy;

**“Debt Management”** refers to all functions relating to the collection of monies owed by customers and users of municipal services.

**“Financial year”** refers to the period starting from 1 July in a year to 30 June the next year;

**“Interest”** is a charge levied and calculated at a rate determined by law from time to time on all arrear amounts owing;

**“Municipality”** when referred to as:

(a) a corporate body, means a municipality as described in Section 2 of the Municipal Systems Act, 2000 (Act No. 32 of 2000);

(b) a geographic area means a municipal area determined in terms of the Local Government Municipal Demarcation Act, 1998 (Act No. 27 of 1998).

(c) means the eMadlangeni Municipality

**“Municipal Manager”** means the person appointed as Municipal Manager in terms of Section 82 of the Local Government Municipal Structures Act, 1998, (Act No. 117 of 1998) and includes any person acting in that position or to whom authority has been delegated;

**“Official”** refers to an employee of the eMadlangeni Municipality

**“Owner”** means

(a) In relation to property referred to in paragraph (a) of the definition of “property, means a person in whose name ownership of the property is registered;

(b) In relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;

(c) In relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

(d) In relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

(i) A trustee in the case of a property in a trust excluding state trust land;

(ii) An executor or administrator, in the case of a property in a deceased estate;

(iii) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

(iv) A judicial manager, in the case of a property in the estate of a person under judicial management;

(v) A curator, in the case of a property in the estate of a person under curatorship;

(vi) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

(vii) A lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or

(viii) A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

## **2. INTRODUCTION**

- 2.1 To ensure that household consumers with no or lower income are not denied a reasonable service and that the Municipality is not financially burdened with non-payment of services, eMadlangeni Municipality does have an approved Indigent Policy.
- 2.2 However, the Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services. To deal with this, the Council also approved a revised Credit Control and Debt Collection Policy.
- 2.3. Despite strict enforcement of the above policies, Council will continuously be confronted by circumstances requiring the possible write-off irrecoverable debt.

## **3. PURPOSE OF POLICY**

- 3.1 This policy provides guidelines on treatment of the impairment and write-off of debtors.  
  
The policy seeks that household consumers with no or lower income are not denied a reasonable service and that the municipality is not financially burdened with non-payment of services.
- 3.2 Section 96 of the Local Government: Municipal Systems Act, 32 Of 2000, provides that a municipality must collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation. The Council is faced with a significant amount of outstanding debt and the continuous defaulting by certain consumers who can afford to pay for services.
- 3.3 It is recognized, however, that circumstances may arise which may make the recovery of certain debts impossible, impractical or financially unfeasible ,and that such debts may have to be written off.
- 3.4 The purpose of this policy is to provide a framework for:
  - 3.4.1 limiting the circumstances contemplated in 3.3;
  - 3.4.2 determining, when such circumstances have arisen, whether to write- off any debts; and
  - 3.4.3 the procedures for writing off such debts.
- 3.5 The municipality will maintain audit trails in such an instance and document the reasons for the abandonment of the action or claim in respect of the debt.
- 3.6 In addition, the policy further stipulated that “Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.”

3.7 The effective management of debtors include, amongst others, the following processes:

- Implementation/ maintenance of the appropriate Information and Communication Technology (ICT) Systems and Business Processes;
- Accurate Billing;
- Customer Care and Accounts enquiry management;
- Effective and timeous Credit Control;
- Impairment of Debtors (Provision for Doubtful Debtors); and
- Write-off of uncollectable debtors.

3.8 The objectives of this policy are:

3.8.1 To ensure that the debtors disclosed in the annual financial statements are stated at amounts that are deemed to be collectable; and

3.8.2 To ensure that uncollectable debt is written off within guidelines of applicable policies and legislation.

#### **4. IMPAIRMENT OF DEBTORS**

Consumer debtors, long term receivables and other debtors are stated at cost less provision for bad debt.

Provision for impairment is made on an individual basis or collectively on a group basis.

In accordance with GRAP104, an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance.

##### **4.1 Consumer debtors**

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

<b>Category of Debtor</b>	<b>Percentage of debt regarded as collectable</b>	<b>Percentage of debt provided for as irrecoverable</b>
Credit balances	Zero	Zero
Current account	100%	Zero
Debt owing between 30 to 60 days	50%	50%
Debt in excess of 60 days	Zero	100%
Approved indigents	Zero	100%

Pending indigents	Zero	100%
Hand over accounts to panel of debt collectors, legal hand over, clearance hand over (debt outside of Section 118(1)(b) of the Municipal Systems Act	Zero	100%
Government/ public infrastructure accounts	100%	Zero
Housing rental debtors <input type="checkbox"/> Current debt <input type="checkbox"/> Debt ageing 30 days+	100% Zero	Zero 100%

#### **4.2 Sundry Deposits**

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

#### **4.3 Sundry Debtors**

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

### **5. RESPONSIBILITY / ACCOUNTABILITY**

The Council has the overall responsibility for adopting and approving the Provision for Bad Debts and Writing Off of Irrecoverable Debt.

### **6. WRITE-OFF OF DOUBTFUL DEBTORS**

6.1 The following should be the guiding principles in implementing the Policy on Writing Off of Irrecoverable Debt:-

6.1.1 The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal System Act 2000, as amended and other related legislation.

6.1.2 Before any debt is written off it must be proven that the debt has become irrecoverable. To ensure that recommendations for write off are consistent and accurate, irrecoverable debt will be defined as:-

6.1.2.1 Where the tracing of the debtors is unsuccessful; and

6.1.2.2 All reasonable steps, at the discretion of the appointed write off committee, were taken by the officials to recover the debt.

- 6.1.3 Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.
- 6.1.4 Time value of money is very important because the older the debt becomes, the more difficult and costly it becomes to collect. It is therefore imperative that a proper system of credit control is implemented and maintained to avoid debt reaching the stage of becoming too expensive to recover.
- 6.1.5 Differentiation must be made between those household consumers who cannot afford to pay for basic services and those who just do not want to pay for these services.
- 6.1.6 Debt can only be written off if the required provision exists in the Municipality's budget and/ or reserves.

## **7. CATEGORIES OF DEBTORS THAT MAY QUALIFY FOR THE WRITING-OFF OF IRRECOVERABLE DEBT**

### **7.1 Approved Indigent Household Consumers in terms of the Municipality's Indigent Policy**

- 7.1.1 Debt owed to Council by an Indigent Household, when registering for the first time in terms of the official Indigent Policy, shall be written off as a once off concession, subject to a thorough audit investigation and certification to the effect that the household is a bona fide indigent as stipulated in the Indigent Policy.
- 7.1.2 Debt owed by the deceased estate of the breadwinner of a registered indigent household shall be written off up to the date of the death of the owner.

### **7.2 Balances too small to recover considering the cost for recovery**

7.2.1 Where final accounts have been submitted and paid by the respective consumer and the remaining balance after finalisation of any final readings and other administrative costs results in a balance of one hundred rand (R100) or less, such account must be forwarded once to the consumer for payment.

7.2.2 Where such account is not paid by the respective consumer within a period of ninety (90) days such amounts will automatically be written off.  
The write-off in instances like this is subject to the following conditions being complied with:

- a certified copy of the death certificate of the owner be obtained;
- a sworn affidavit regarding the indigence be obtained.

Should the new owner not qualify to be registered as an Indigent, in terms of the Council's Indigent Policy, the outstanding rates and service charges for the period from the death of

the previous owner till the date of the new service application remain payable by the new owner and cannot be written off.

Should the new owner qualify to be registered as an Indigent, in terms of the Council's Indigent Policy, the outstanding rates and service charges for the period from the death of the previous owner till the date of the new service application can be written off in instances where the next of kin/new owner present proof that the property transfer fees has been paid and the service contract is signed in his/her name.

### **7.3 Insolvency of the Debtor and Insolvent Deceased Estates**

7.3.1 Where a debtor becomes insolvent the Municipality must ensure that a creditor's claim is timeously registered. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to an insolvent estate must, after notification, be written off.

7.3.2 In case of death of the debtor, a creditor's claim must be timeously registered against the deceased's estate. Any amount not being recovered due to insufficient funds or if there is a risk of a contribution being made to a deceased estate must, after notification, be written off.

### **7.4 Untraceable Debtors**

7.4.1 Where for any reason the forward address of a debtor becomes untraceable or the debtor becomes untraceable from the current address, such account must be handed over to a collection agent for recovery of the debt. The collection agent will be paid an all-inclusive fee that will be negotiated. The Terms of Reference for such collection agent must include the appointment of a tracing agent to locate the debtor. Should a debtor be untraceable, the collection agent must report to the Municipality on the actions that were taken to attempt to trace the debtor.

7.4.2 Any amount owed by a debtor that has become untraceable must, after notification, be written off or sold to a debt collection agency at a discount.

7.4.3 Debt written off in the above instances will automatically result in the debtor being reported to the credit bureau by the Municipality.

### **7.6 Special Incentives for Household Consumers**

7.6.1 Notwithstanding the Municipality's Credit Control Policy a debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-

7.6.1.1 The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;

- 7.6.1.2 The current monthly amount must be paid in full; and
- 7.6.1.3 The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

7.6.2 Due to ineffective/ non implementation of credit control measures in the past, the majority of household consumers have accumulated significant arrear amounts and that these consumers are not in a position to pay of these arrear amounts in full together with their current monthly accounts. In order to improve the current payment levels from consumers the Council of eMadlangeni Municipality may resolve to implement special incentives to address the arrear debt.

## **7.7 Special cases**

The allocation of RDP houses by the Directorate Infrastructure, Planning and Development has in some instances resulted in debt raised for the property in the name of the person allocated the house, but who never took occupation due to one of the following reasons:

- Failure to inform the rightful owner about the allocation;
- Alteration of allocation not effected in Council records;

In the above-mentioned cases there will never be a need to implement the Credit Control and Debt Collection Policy; therefore write-off should take place immediately when the Directorate involved in the allocation of property issues a memorandum that confirms the above. Furthermore the write-off should be affected and later reported to Council for ratification purposes.

## **8. ESTABLISHMENT OF A COMMITTEE TO MONITOR ANY DEBT TO BE WRITTEN OFF**

- 8.1 Council will establish and appoint a Committee to monitor the implementation of this Policy.
- 8.2 The Committee will consist of the following members:-
  - 8.2.1. The Municipal Manager (Chairperson) or delegated authority.
  - 8.2.2. Chief Financial Officer (Alternative Chairperson).
  - 8.2.3. Member of the Executive Committee for Finance.
  - 8.2.4. One member of the Portfolio Committee for Finance to be nominated by the Portfolio Committee for Finance.
  - 8.2.5 One Representative of each of the Political Parties.

- 8.3. The above Committee will meet at least quarterly to receive and review a report from the Chief Financial Officer containing full details of any actions taken by officials with respect to this Policy, and to consider any circumstances not covered by this Policy.
- 8.4. The quorum for the Committee shall be 50% of the members plus one.
- 8.5. Formal minutes of Committee meetings must be prepared and submitted to Council.
- 8.6. The Chief Financial Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off any amounts to the maximum of;
  - 8.6.1. in the case of a household consumer an amount of **R10,000** (excluding interest and penalties) per submission;
  - 8.6.2. in the case of a business consumer an amount of **R20,000** (excluding interest and penalties) per submission; and
  - 8.6.3. any amount in excess of the delegation provided for in paragraph 8.6.1 and 8.6.2 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager or delegated authority will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, be delegated to write off any amounts to the maximum of:-
  - 8.6.4. in the case of a household consumer an amount of **R20,000** (excluding interest and penalties) per submission; and
  - 8.6.5 in the case of a business consumer an amount of **R50,000**(excluding interest and penalties) per submission.
- 8.7. Any amount in excess of the delegation provided for in paragraph 8.6.4 and 8.6.5 above may only be reviewed by the Committee to Monitor Debt to be written off and must be submitted together with a recommendation to Council for consideration.

**9. DELEGATED POWERS ON WRITING-OFF INTEREST AND PENALTIES ON RECOVERABLE DEBTS**

- 9.1 The Chief Financial Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off interest and penalties, subject to full settlement account, to the maximum of;
  - 9.1.1 in the case of a household consumer an amount of **R10 000** per submission;
  - 9.1.2 in the case of a business consumer an amount of **R20 000** per submission; and
  - 9.1.3 any amount in excess of the delegation provided for in paragraph 9.1.1 and 9.1.2 above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation

by the Chief Financial Officer and in terms of this Policy, be delegated to write off interest and penalties, subject to full settlement of the account, to the maximum of:

- 9.1.4. in the case of a household consumer an amount of **R20,000** per submission; and
- 9.1.5 in the case of a business consumer an amount of **R50,000** per submission.
- 9.2 Any amount in excess of the delegation provided for in paragraph 9.1.1 to 9.1.5 above may only be reviewed by the Committee to Monitor Debt to be written off and must be submitted together with a recommendation to Council for consideration.

## **10. PREVENTION OF PRESCRIPTION OF DEBT**

### **10.1 Prevention**

Proceedings out of the appropriate court for the recovery of a debt must be commenced as soon as it is appropriate in order to prevent prescription of the debt. A summons process for payment of the debt must be successfully concluded as soon as possible to prevent prescription of the debt in terms of the Prescription Act. 12

### **10.2 Prescription Act, 1969 (Act No. 68 of 1969):**

Section 10 (1) of the Prescription Act provides that a debt shall be extinguished by prescription after the lapse of the period which in terms of the relevant law applies in respect of the prescription of such debt. The Municipality cannot legally enforce payment of a debt once the debt has prescribed, but the period of prescription is interrupted:-

- (i) By the service on the debtor of any process whereby the creditor claims payment of the debt (Section 15). "Process" means a Summons or Notice of Motion, which must actually be served on the debtor and not simply issued by the court, and does NOT include a registered letter of demand
- (ii) the debtor acknowledges liability, whether expressly or tacitly (Section 14); payment of a portion of the debt can constitute a tacit acknowledgement of liability.

The completion of prescription may also be delayed in certain circumstances (Section 13).

### **10.3 In terms of Section 11 of the Prescription Act, 1969 (Act 68 of 1969), the periods of prescription of debts are as follows:**

- (i) **Thirty years** in respect of -
- any debt secured by a mortgage bond;
  - any judgment debt;
  - any debt in respect of any taxation imposed or levied by or under any law; and any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances.
- (ii) **Fifteen years** in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer period applies in respect of the debt in question in terms of paragraph (i) above.
- iii) **Six years** in respect of a debt arising from a bill of exchange or other negotiable instrument or from a notaries contract, unless a longer period applies in respect of the debt in question in terms of paragraph (i) or (ii) above.
- (iv) **Three years** in respect of all other debts, save where an Act of Parliament provides otherwise.

## **11. BAD DEBTS RECOVER**

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated, however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

## **12. IMPLEMENTATION**

This policy will be effective on the date of adoption by Council. All future submissions for the writing off of debt must be considered in accordance with this policy.

SIGNED BY ACCOUNTING OFFICER

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GN MAVUNDLA

DATE:

# **EMADLANGENI LOCAL MUNICIPALITY**



## **FINAL Funding and Reserve Policy**

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## **1. PREAMBLE**

In the spirit of the Municipal Finance Management Act, (No. 56 of 2003) “ to modernize budget and financial management practices by placing local government finances on a sustainable footing in order to maximize the capacity of Municipalities to deliver services to all residents customers, users and investors” and Where the budget and Reporting regulation of 2009 (Government gazette 32141) prescribes this policy as a necessary instrument to monitor and sustain the Municipality’s financial management,

Therefore the Emadlangeni Municipality adopts the funding and reserves policy as set in this document.

## **2. OBJECTIVES OF THE POLICY**

The policy sets out to ensure that the annual budget of Emadlangeni Municipality is fully funded and that all funds and reserves are maintained at the required level to avoid future year unfounded liabilities. The policy aims to give effect to the requirements and stipulations of the Municipal Finance Management Act and the Municipal Budget and Reporting Framework.

The policy shall apply to all the relevant parties within the Emadlangeni municipality that are involved throughout the budget process and financial management disciplines.

## **3. BUDGET ASSUMPTIONS AND METHODOLOGY**

### **3.1 CAPITAL BUDGETS**

#### **3.1.1 Basis of Calculation**

\_ The **zero based method** is used in preparing the annual capital budget, except in cases where a contractual commitment has been made that would span over more than one financial year.

\_ The annual capital budget shall be based realistically anticipated revenue (capital loans to be taken up will be deemed to be part of his), which should be equal to the anticipated capital expenditure in order to result in a balanced budget.

\_ The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being finalized.

\_ In addition, the council shall consider the likely impact of such operational expenses – net of any revenues expected to be generated by such item on future property rates and service tariffs.

## **3.2 FUNDING OF THE CAPITAL BUDGET**

### **3.2.1 Own Funding Sources**

The Council shall establish a capital replacement Reserve (CRR) for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following:

\_ Un appropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes.

\_ 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 assets management and accounting policy.

### **3.2.2 Other Funding Sources**

The Ad-hoc capital Budget shall be financed from external sources such as the following:

\_ Grants and subsidies as allocated in the annual Division of Revenue Act.

\_ Grants and Subsidies as allocated by the Provincial Government.

\_ External loans.

\_ Private Contributions.

\_ Contributions from the capital Development Fund (developer's contributions).

\_ Any other financing source secured by the local authority.

## **3.3 OPERATIONAL BUDGET**

### **3.3.1 Basis of Calculation**

\_ The **incremental approach** is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances the zero based method will be followed.

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

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

### **3.3.2 Assumptions for various budget categories**

The following assumptions are used when compiling the budget for the following expenditure categories:

#### **\_ Salaries, Wages and Allowances**

The Salaries and allowances are calculated based on the percentage increases as per the collective agreement between organized labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitations and percentages as determined by the responsible National Minister.

#### **\_ Collection Costs**

It refers to costs attributed to the maintenance of the financial system used for the collection of outstanding amounts and is based on the service level agreement.

#### **\_ Depreciation**

The above is calculated at cost, using the straightline method, to allocate the depreciation cost to the residual values over the estimated useful lives of the assets.

#### **\_ Interest External Borrowings**

The above refers to interest and redemption that has to be repaid on an external loan taken up by Council. The budget is determined by the repayments that the Municipality is liable for based on the agreements entered into with the other party.

#### **\_ Bulk Purchases**

The expenditure on bulk purchases shall be determined using the tariffs as stipulated by the Water Boards and NERSA and by any other service provider from time to time.

#### **\_ Other General Expenditure**

A percentage growth for all other general expenditure will be based on the percentage determined by the Financial Services in line with prevailing growth rates and the CPI and prior actual expenditure trends.

#### **\_ Repairs and Maintenance**

The budget of repairs and maintenance shall be based on the increment as determined Financial Services in conjunction with the needs of the departments in terms of repairing their assets.

#### **\_ Contributions to Funds**

Refers to the contribution made to provisions (e.g. leave reserve fund) on annual basis and is determined based on the actual expenditure in the previous year and any other factor that could have an effect.

**\_ Less: Debited Elsewhere**

This category refers to interdepartmental charges within the organization. The performance of each of the line items is analysed where after the budget is based on the preceding year's performance.

**\_ Appropriations**

Refers to the transfer to and from the capital replacement reserve, to offset depreciation charges. Appropriations are determined on an annual basis.

**3.3.3 Funding of the Operational Budget**

The operating budget shall be financed from the following sources.

**\_ Service Charges**

- I. Electricity Charges
- II. Refuse Removal fees
- III. Sewerage Fees

**\_ Taxes**

Increases in tariffs and rates will be based on actual billed revenue and as far as possible is limited to inflation plus an additional percentage increase to accommodate the growth of the town.

Detailed information can be found in the Tariff Policy.

**\_ Grants and Subsidies**

Grants and subsidies shall be based on all the gazetted grants and subsidies plus all other subsidies received by the organization.

**\_ Interest on Investments**

The budget for interest and investment shall be in accordance with the Cash management and Investment policy of the Municipality.

**\_ Rental Fees**

Income from rental property will be budgeted for based on the percentage growth rate as determined by financial Services for a particular budget year.

**\_ Fines**

Income from fines will be budgeted for based on the actual income received in the preceding year (calculated on the basis of actual receipt until the end of February of each year, extrapolated over 12 months) and the percentage growth rate as determined by Financial services for a particular budget year.

**4. BORROWING REQUIREMENTS**

The borrowing requirements are based on the backlogs of the infrastructure needs taking into consideration the operational impact of any loans.

## **5. IMPLEMENTATION AND REVIEW OF THE POLICY**

This policy will be reviewed regularly or when so requires by changes to Legislation. Any Changes to this policy must be adopted by Council and be consistent with the Act and any National treasury regulations.

SIGNED BY ACCOUNTING OFFICER

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GN MAVUNDLA

DATE

# EMADLANGENI LOCAL MUNICIPALITY



## PETTY CASH POLICY

2025-26

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## **ABBREVIATIONS**

ELM	Emadlangeni Local Municipality
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
HOD(SO)	Head of Department (Senior Official)
FO	Finance Officer
FM	Finance Manager
MFMA	Municipal Finance Management Act (No. 56 of 2003)
MSA	Municipal Systems Act (No. 32 of 2000)
SCM	Supply Chain Management
VAT	Value Added Tax

## **1. INTRODUCTION**

In terms of the Municipality's Supply Chain Management policy under Sub-paragraph 12 (1) (a), purchases from R0 up to R2000 (inclusive of VAT) to be procured using petty cash, therefore the Emadlangeni Municipality adopts the following petty cash policy.

In terms of section 65 of MFMA, the accounting officer of a municipality is responsible for the management of the expenditure of the municipality in an effective and controlled manner. The accounting officer delegates authority to the Chief Financial Officer.

## **2. REGULATORY FRAMEWORK**

Section 217 of the Constitution of the Republic of South Africa requires an organ of state to contract for goods or services in accordance with a system which is:

- fair;
- equitable;
- transparent;
- competitive; and
- cost effective.

In support of the Constitutional objectives the Municipal Finance Management Act No 56 of 2003 (hereafter MFMA) section 110 require successful implementation of the supply chain management process. Section 111 of the MFMA requires that each municipality and municipal entity must have and implement a supply chain management policy.

In the development of such a policy guidance is provided in the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 as well as National Treasury Circulars/Guidelines. The framework to determine the Preferential Procurement Policy is prescribed in the Preferential Procurement Policy Framework Act 2000 (Act No. 5 of 2000).

### 3. OBJECTIVES

Compliance with the regulatory framework in terms of the relevant legislation is required.

### 4. DEFINITIONS

In this Petty Cash policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

**“CFO”** means the person who is appointed by the Council as the Chief Financial Officer for the Municipality and his delegates

**“Channel(s)”** means the line of communication commencing with the Finance Officer for supply chain management to the Chief Financial Officer to the Municipal Manager and to council;

**“Close Family Members”** means a person’s spouse, children, parents or brothers and sisters;

**“Code of Conduct”** means the code of conduct attached to this policy as Annexure ...;

**“Council”** means the Municipal Council of the eMadlangeni Local Municipality, its legal successors in title and its delegates;

**“Delegating Authority”**, means the Council, Municipal Manager, councillor or other employee to whom original powers were assigned in terms of legislation, and in relation to a sub-delegation of a power, means that delegated body;

**“Delegation”** means the issuing of a written authorisation by a delegating authority to a delegated body to act in his stead, and in relation to a duty, includes an instruction or request to perform or to assist in performing the duty, and **‘delegate’** and **‘sub-delegate’** has a corresponding meaning;

**“Delegated body”** in relation to the delegation of a power means the person to whom a power has been delegated by the delegating authority in writing;

**“Employee”** means any person other than an independent contractor who:

- works for another person or for the State and who receives, or is entitled to receive any remuneration; and
- in any manner assist in carrying on or conducting the business of an employer

**“Emergency”** means an unforeseeable and sudden event, with material harmful or potential harmful consequences for the municipality that requires immediate action;

**“Employer”** means the Emadlangeni Local Municipality, a municipality established in terms of the provisions of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

**“Equity Ownership”** means the percentage of an enterprise or business owned by individuals or, in respect of a private company, the percentage of a company’s shares that are owned by individuals, who are actively involved in the management of the enterprise or business and exercise control over the enterprise or business, commensurate with their degree of ownership at the closing date of the bid;

**“Director”** means an executive director directly accountable to the Municipal Manager, appointed in terms of section 57 of the Systems Act, including the Chief Financial Officer;

**“Goods”** means those raw materials or commodities which are available for general sale;

**“In the service of the state”** means to be:

- a member of :
  - any municipal council
  - any provincial legislature; or
  - the National Assembly or the National Council of Provinces;
- a member of the board of directors of any municipal entity;
- an employee of any municipality or municipal entity;
- any employee of any national or provincial department, national or provincial public entity or constitutional within the meaning of the Public Finance Management act, 1999 (Act No.1 of 1999);
- a member of the accounting authority of any national or provincial public entity; or
- an employee of Parliament or a Provincial Legislature.

**“Local Business” or “Local Firm”** means service providers with active offices in the Municipality, which shall be interpreted on the basis of whether the offices are utilized for the goods or services to be procured, and whether the majority shareholders are local;

**“Management”** refers to the membership of any board or similar governing body which is charged with the day-to-day management control of the enterprise / business. This entails the power to determine policies and direction of economic activities and resources;

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

**“Municipal Manager”** means the person who is appointed by the Council as the head of the administration and as accounting officer for the Municipality in accordance with section 82 of the Structures Act and his delegates;

**“Municipality”**, means the Emadlangeni Local Municipality, and when referred to as:

- an entity, means a municipality as described in section 2 of the Systems Act; and
- a geographic area, means the municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No 27 of 1998);

**“Organ of State”** means –

- any department of state or administration in the national, provincial or local sphere of government;  
or
- any other functionary or institution:
  - exercising a power or performing a function in terms of the Constitution or a provincial constitution; or
  - exercising a public power or performing a public function in terms of any legislation, but does not include a court or a judicial officer;

**“Person”** includes reference to juristic person;

**“Preferential Procurement Legislation”** means the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its associated Preferential Procurement Regulations, and the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003);

**“Procurement”** means a process of preparing, negotiating and concluding a contract, whether in writing or verbally, which involve the acquiring of goods, services and engineering and constructions works or any combination thereof, or the acquiring of capital assets or any rights in respect of the above, by means of a purchase, lease or donation;

**“Procuring”** has a similar meaning;

**“Rand Value”** means the total estimated value of a contract in rand denomination which is calculated at the time of quotation and bid invitations and includes all applicable taxes and excise duties;

**“SCM Sub-Directorate”** means the Supply Chain Management Sub-directorate which is under the management and control of the Chief Financial Officer, and that is responsible for the implementation and management of the SCM Policy;

**“Services”** means the provision of labour and work carried out by hand, or with the assistance of plant and equipment, including the input, as necessary, of knowledge based expertise;

**“Service Provider”** means a current or potential supplier, manufacturer, contractor, vendor, agent or consultant;

**“SMME’s”** means small, medium and micro enterprises in the supply chain management system of the Municipality;

**“Structures Act”** means the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

**“Systems Act”** means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);

**“Petty Cash”** means a relatively small amount of cash kept at hand for making immediate payments for miscellaneous small expenses;

**“Petty Cash Float”** means the total sum of Petty Cash which has been granted to a Finance Officer;

**“Expenditure Accountant”** means an employee made responsible for the day to day operating of the Petty Cash Float;

**“Reconciliation”** is the process of comparing information with the relevant documentation and receipts;

**“Sub-Advances”** means a relatively small amount of cash, made available by the Finance Officer on request to buy miscellaneous small items

## **5. GENERAL REQUIREMENTS AND OPERATIONS**

- 5.1.1 The submission must be completed and authorized by the Head of Department, and then forwarded to the Finance Manager for reviewal and approval by Chief Financial Officer.
- 5.1.2 Authority to recommend and approve submission can be delegated in writing and appointment letter must be kept in safe custody for audit purposes.
- 5.1.3 All submissions regarding the request to utilize petty cash must be forwarded to the Finance Department two days before the date on which the petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.
- 5.1.4 No purchases of goods or services may take place before the approval to use petty cash is granted by the Chief Financial Officer or the delegated official, except in the case of urgent and emergencies in which case the Municipal Manager will have to give permission to proceed with the transaction.
- 5.1.5 The Chief Financial Officer or any other delegated senior finance official may make surprise inspections of the petty cash as he/she deems fit to do so, at least quarterly.
- 5.1.6 A petty cash requisition form must be used for all petty cash purchases. These forms shall be pre-numbered and recorded accordingly in the petty cash register.

The petty cash requisition form must include the following:

- (i) Reason for petty cash;

- (ii) Amount requested (not exceeding R200 per person, per day);
- (iii) Vote number;
- (iv) Person requesting an item; and
- (v) Authorised by Head of Department.

5.1.7 Urgent and emergency cases will be accommodated where immediate action is required to avoid a dangerous or life-threatening situation, misery or want or any other cases which may require immediate action to be taken to proactively avoid a negative impact on service delivery.

5.1.8 The use of petty cash float is strictly confined to individual cash purchases of up to a maximum of R200.00 per transaction per day, unless authorized by the Chief Financial Officer.

5.1.9 The expenditure with regard to petty cash purchases shall not be deliberately split into more than one transaction to avoid the said limit.

5.1.10 Original invoices or cash slips must be submitted to the official responsible for petty cash after such purchases have taken place.

5.1.11 The face of the original invoice or cash slip must contain the following:

- The words “tax invoice” in a prominent place,
- Trading name, address and VAT registration number of the supplier (where applicable),
- Serialized tax invoice number/reference,
- Date of the tax invoice,
- Name and address of the recipient \_eMadlangeni Local Municipality (where applicable),
- VAT registration number of the recipient (where applicable),
- Accurate description of the good or services supplied,
- Quantity of good or services supplied,
- Total selling price charged including VAT. The VAT must be shown separately (where applicable).

- 5.1.12 Failure by any official to submit the invoices or cash slips within the period of 5 days from the date when petty cash was issued (This period will exclude public holidays and weekends that fall within it) will result in such total amount of purchases being recovered from the salary of the requisitioner (Non-Refundable/Non-Reversible).
- 5.1.13 Certain types of transactions may be excluded from the petty cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and traveling claims, loans, payment of personal remuneration to any person whatsoever, instalment invoices, etc.
- 5.1.14 The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not each time be purchased by means of petty cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for boardrooms committee meetings if those items are required on a regular basis.
- 5.1.15 The Expenditure Accountant must submit a monthly reconciliation report to the Finance Manager, containing the total number and value of petty cash purchases for each month, including the opening balance and closing balance as well as the names of suppliers where goods and services have been purchased.

## **6 ARRANGEMENT FOR SUBMISSIONS WITH REGARD TO THE REQUESTS TO UTILISE PETTY CASH**

All submissions regarding the request to utilize petty cash must be forwarded to the SCM unit preferably two days before the date on which the petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.

## **7 CUSTODY AND SAFEKEEPING OF PETTY CASH**

The office and the safe where Petty Cash is maintained must always be locked and the keys must be kept in a safe place which is known by the custodian of the petty cash.

- 7.1.1 Any shortages in respect of a petty cash float must be reimbursed immediately by the responsible official;

- 7.1.2 If petty cash is lost, the official responsible for petty cash will be held liable; and
- 7.1.3 Where a petty cash float is stolen the incident must be reported promptly to Chief Financial Officer in the required format, after a case has been logged at the South African Police Services.

## **8 ACCESS TO THE PETTY CASH**

The use of petty cash should be freely accessible by all staff members provided that the correct processes have been followed. The Expenditure Clerk is the only staff member authorized to issue petty cash not unless.

## **9 RECONCILIATION OF PETTY CASH FLOAT**

- 9.1 When the cash in the Petty Cash Float is almost exhausted, the Petty Cash register must be balanced and reconciled by the Expenditure Accountant as follows:
  - 9.1.1.1 Counts the Petty Cash money at hand and confirm the monthly closing balance of cash at hand as reflected in the Petty Cash register.
  - 9.1.1.2 Adds up all the receipts submitted as proof of payment and agrees the total to the total reflected in the Petty Cash register.
  - 9.1.1.3 Verifies that the total Petty Cash as at the beginning of the month plus receipts less payments for the month equals the Petty Cash on hand at the end of month.
  - 9.1.1.4 Reconciles the Petty Cash total on hand with the requisition forms, vouchers and other supporting documentation.
- 9.2 When Such reconciliation procedure as stated above should be performed at the end of the month and it should be ensured that the Petty Cash Float balances to the closing ledger balance.
- 9.3 The official responsible for the review of the Petty Cash funds and petty cash register, signs as proof of the review.
- 9.4 The Chief Financial Officer, Finance Manager, internal or external auditors of the Municipality may at any stage without prior notice, perform an audit of petty cash count to confirm the cash balance.

- 9.5 Internal audit should make surprise inspections of the Petty Cash at least once per quarter and perform the following procedures:
- 9.5.1 Inspect the Petty Cash vouchers to ensure that all items on the voucher are items usually used by the Municipality in the performance of duties and that no purchase was made for personal use.
  - 9.5.2 Performs a cash count, in the presence of the official responsible for Petty Cash.
- 9.6 Any shortages or surplus funds concerning Petty Cash must immediately be paid in at the cashier and the reason for the shortage/ surplus must be investigated by the senior official appointed by Municipal Manager or Chief Financial Officer for rectification.
- 9.6.1 At year end a cash count should be performed on all advances to ensure that the cash on hand agrees with the general ledger account. A cash count working paper should be prepared as evidence of the cash count (preferably an Internal Auditor), the official responsible for Petty Cash and Senior Official of the Expenditure Section should sign the working paper as evidence of the cash count.

## **10 REPLENISHMENT OF PETTY CASH**

- 10.1 Petty cash will only be replenished if the petty cash has reached a minimum amount of R2000.00. A maximum amount of R 3000 will be kept in the petty cash office in order to minimize and avoid the risk relating to theft and loss.
- 10.2 Petty Cash Float shall be reimbursed by means of an uncrossed cheque where such replenishment will be approved by the Chief Financial Officer and the cheque signed by Chief Financial Officer and one other cheque signatory. The Petty Cash shall be reimbursed by cheque through the normal Financial System in use.
- 10.3 The schedule of petty cash vouchers (petty cash expenses) should be drawn up for approval by the Chief Financial Officer before submission for issuing of a reimbursement cheque.
- 10.4 Replenishment of the petty cash float will be undertaken after the balancing and

reconciliation of the petty cash register has been reviewed by Finance Manager and approved by the Chief Financial Officer.

10.5 A cheque must be made out to the Chief Financial Officer for the replenishment of the petty cash float and such cheque must be cashed by the Expenditure Accountant or any other person delegated by Chief Financial Officer within the expenditure unit who must record the amount received in the petty cash register.

## **11 PETTY CASH REGISTER**

The keeping of a formal petty cash register is compulsory, except where petty cash expenses are posted directly on the official financial system of the Municipality.

## **12 IMPLICATION OF NON-COMPLIANCE TO THE MUNICIPAL PETTY CASH POLICY**

It should be noted that failure to comply with this municipal petty cash policy constitutes financial misconduct and any employee found guilty will be subject to disciplinary procedures.

## **13 COUNCIL APPROVAL AND EFFECTIVE DATE**

SIGNED BY ACCOUNTING OFFICER

.....  
GN MAVUNDLA

DATE:

# EMADLANGENI LOCAL MUNICIPALITY



## FLEET MANAGEMENT POLICY 2025/26

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## SECTION 1: OBJECTIVES

- 1.1 To regulate the management of motor vehicle fleet and / or equipment.
- 1.2 To ensure that the users of the municipal vehicle fleet comply with a uniform code of good practice in respect of fleet management.
- 1.3 To provide for the maintenance, utilization, insurance and replacement of all vehicles and equipment.
- 1.3 To ensure that municipal vehicles are optimally and effectively used for the rendering of municipal services.
- 1.3 To ensure cost effective and efficient usage of available funding in respect of fuel and maintenance.
- 1.4 To minimize possible abuse/misuse of municipal vehicles.
- 1.5 To ensure safe driving and usage practices in respect of vehicle fleet.
- 1.6 To manage the operations of allocated and pool vehicles and related facilities.
- 1.7 To ensure that requirements of all relevant legislation compiled with.

## SECTION 2: DEFINITIONS

For the purpose of this policy and procedures document as well as Code of Practice, the following definitions shall apply:

- 1.1 **MUNICIPAL VEHICLE** means all vehicles and civil engineering plant, equipment (self-driven or otherwise), motorcycles, trailers, stationary engines, etc. operated on overall management of or on lease or hire from: i) The Fleet Management Services Division ii) An external service provider
- 1.2 **SERVICE PROVIDER** means i) In respect of municipal-owned vehicles, it shall be the Fleet Management Services ii) In respect of non-owned municipal vehicles, it shall be the relevant external service provider.
- 1.3. **DRIVER** means all persons engaged in the operation of vehicles and plant, being:
  - i) OCCASIONAL DRIVER: Is not a permanent driver but is required to use a municipal vehicle on an *ad hoc* basis to perform his/her duties.
  - ii) PROFESSIONAL DRIVER: Employed specifically to drive municipal vehicles for general transport purposes.
  - iii) OPERATOR: Employed specifically to operate civil engineering plant.
- 1.4. **SAFE PARKING** means i) Designated municipal parking ii) Enclosed premises
- 1.5 **COUNCIL** means a municipal council of eMadlangeni Local Municipality.
- 1.6 **COUNCILLOR** means a member of eMadlangeni Local Municipal Council.
- 1.7 **EXECUTIVE COMMITTEE** means executive committee constituted in terms Section 43 of Local Government Municipal Structures Act, 1998.

- 1.8 **EMPLOYEE** means any person, excluding an independent contractor or any person who receives a car allowance, who is employed by and receives remuneration from the Municipality.
- 1.9 **FLEET OFFICER** means a person in the employ of Council who has been designated in writing as fleet officer.
- 1.10 **CHIEF FINANCIAL OFFICER** means a person who is employed or designated by Council as Chief Financial Officer.
- 1.11 **MUNICIPAL MANAGER** means a person employed as Municipal Manager or acting as Municipal Manager in terms section 82 of Local Government Municipal Structures Act, 1998.

### **SECTION 3: USE OF MUNICIPAL VEHICLES**

#### **3.1 General**

- 3.1.1 A driver of municipal vehicles must be in possession of a legally valid driver's license for the respective vehicle, which is administered by the Department of Protection Services and Licensing of eMadlangeni Municipality and obtain a certificate of competency.
- 3.1.2 With the exception of the Mayor/Deputy Mayor, Speaker (only vehicle allocated to them), Notwithstanding the above, whenever an official driver is not available and it is **deemed imperative for a councilor to attend a council function, meeting or any activity, such councilor may use a Municipal vehicle with the approval of the Municipal Manager/Acting Municipal Manager or an official designated by him/her** and shall in addition to being bound by this policy, be subject to all the rules and regulations applicable to staff members regarding the use of municipal vehicles.
- 3.1.3 No vehicle may be used unless the requirements laid down in this policy are complied with.
- 3.1.4 The vehicle may be used for Municipal business only. Any unauthorized usage of the vehicle an employee will subject to disciplinary actions.
- 3.1.5 A properly completed trip authorization form needs to be completed before any vehicle is released.
- 3.1.6 The vehicle may not be driven while under the influence of alcohol or any dependent form of drug.

3.1.7 Every Municipal vehicle shall have a **toll-free number** to report any abuse by the driver to 060 998 7778

### **3.2 Allocated Vehicles**

3.2.1 Each vehicle purchased may be recognized as an allocated vehicle or a pool vehicle.

3.2.2 Each allocated vehicle will be allocated to a specific department.

3.2.3 Should an allocated vehicle be used by an employee of another department, a vote number needs to be entered into the logbook against which the costs of such use can be debited.

3.2.4 The keys, toll gate slips, fully completed trip authorization form, pre-drive inspection sheet and petrol slips of allocated vehicles should be returned to the Fleet Management Officer

3.2.5 The logbook of the allocated vehicle shall always be completed by the responsible employee using the vehicle.

### **3.3 Pool Vehicles**

3.3.1 Pool vehicles may be used by an employee not in charge of an allocated vehicle or a Councilor, subject to the provisions mentioned above.

3.3.2 The use of pool vehicles will function strictly on a booking system depending on the importance of the trip.

3.3.3 Applications for such bookings will be made to the Fleet Management Officer.

3.3.4 Should an employee who is in charge of an allocated vehicle have a compelling reason to book a pool vehicle, such booking shall be done in the same manner as in 3.3.3. above, and be authorized by Head of Department, provided valid reasons have been provided as to why a pool vehicle needs to be used and such a booking shall be subject to the approval of the Chief Financial Officer.

3.3.5 Authorization of the use of the vehicle will only be made based on a properly completed trip authorization form and approved by the relevant Head of Department.

3.3.6 A councilor who wishes to use a pool vehicle needs to obtain the authority of the Municipal Manager/Acting Municipal Manager on the prescribed trip authorization form.

- 3.3.7 Whenever an employee or a Councilor is making a booking for a pool vehicle, the necessary vote number needs to be provided against which the costs of such use can be debited.
- 3.3.8 The keys, logbook and petrol card of a pool vehicle shall at all times be kept in the office of the Fleet Management Officer and will only be released on a prearranged booking.
- 3.3.9 On return of a pool vehicle during office hours, the keys, petrol card, toll gate slips, fully completed trip authorization form; pre-drive inspection sheet and petrol slips must be returned to the Fleet Management Officer on return of vehicle after hours (refer to 6.11)

#### **SECTION 4: DRIVER'S RESPONSIBILITY**

Each driver shall be charged with the following responsibilities, before a vehicle is used. Should a driver use a vehicle before the execution of these responsibilities, it will be accepted that the driver is responsible for any damage on the vehicle as if he/she caused the damage.

- 4.1 All administrative procedures as described in 3 above need to be completed before a vehicle can be used.
- 4.2 A driver will be fully responsible for the vehicle during the period he/she uses the vehicle.
- 4.3 The driver will pick-up the vehicle in the parking bays at municipal building.
- 4.4 The driver will carry out an inspection on the vehicle in the presence of the fleet management officer and complete an inspection sheet/ book before using the vehicle.

The following activities shall be undertaken as pre-drive inspection:

- 4.4.1 Ensure that the current odometer reading and the required information has been entered in the log book/trip authorization form,
- 4.4.2 Ensure that the vehicle has sufficient fuel for the journey and also check tyres condition and pressures are correct,
- 4.4.3 Check for any oil and water leaks,
- 4.4.4 Check/top up engine oil and cooling system water,
- 4.4.5 Check brake, clutch and accelerator pedal travel
- 4.4.6 Check all lights, direction indicators, horn, wipers, washers, spare wheel, jack and tools,
- 4.4.7 Check steering action,
- 4.4.8 Check for any damage to bodywork, mirrors, windscreen and window glass,

- 4.4.9 Check that vehicle's license is current,
  - 4.4.10 Check fire protection equipment and hazard triangle
  - 4.4.11 Start the engine and check oil pressure and whether general warning lights are operating within specification,
  - 4.4.12 Check that interior and exterior of the vehicle is clean and in good state of repair,
  - 4.4.13 Ensure that any load is secured to limit damage and ensure safety,
  - 4.4.14 Ensure that staff being transported complies with the relevant traffic legislation.
  - 4.4.15 Check list shall be completed for all equipment in the vehicle by the Fleet Management Officer.
- 4.5 Any defect, damage, loss or license due to expire must be reported to the Fleet Management Officer. The vehicle should then be stood down until such defects or shortfall is addressed.
- 4.6 No vehicle shall be used unless the driver has in his/her possession the vehicle logbook/trip authorization in which must be recorded:
- 4.6.1 The exact nature of the trip;
  - 4.6.2 Starting time and date;
  - 4.6.3 Place of origin and destination;
  - 4.6.4 Passengers/load carried;
  - 4.6.5 Head of Department signature.

Failure to comply with 4.6 above will result in vehicle being impounded

- 4.7 The driver must hand the trip authorization form and pre-drive inspection sheet to the Security Guard at the gate before he/she will be allowed to remove the vehicle from the parking area.
- 4.8 Details of each journey are to be entered on the logbook/trip authorization. Completed log books/trip authorization must be forwarded to the Fleet Management Officer within 2 working days after each month end.

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

- 5.1 Council vehicles will only be used for official purposes.
- 5.2 No passengers, other than officials and Councilors on duty should be transported in or on council vehicles, unless prior permission has been obtained from the Municipal Manager/Acting Municipal Manager or a person designated by him/her and an indemnity form (marked Annexure C), has been completed and signed.
- 5.3 A driver will ensure that he/she is in a mentally and physically healthy condition before driving.

- 5.4 A driver shall adhere to all traffic rules and regulations stipulated in legislation.
- 5.5 Should a driver contravene any traffic rule or regulation and receive a fine for such contravention, he/she shall be responsible for payment of such a fine. Should a driver wish to defend such a charge brought against him/her, he/ she will do so in his/her personal capacity. Should a driver fail to pay a fine or fail to appear in court and summons is served on the municipality as owner of the vehicle, the Municipality will deduct such amount from the driver's earnings and institute disciplinary proceedings against the employee.
- 5.6 Should an employee utilize a vehicle for purposes other than official purposes, the necessary disciplinary procedures will be instituted.

**6. DRIVER'S RESPONSIBILITY AFTER USE OF A VEHICLE**

- 6.1 After the use of a vehicle, such vehicle shall be parked in its allocated parking at the Municipal building. This applies even if a vehicle is used for more than once a day and such vehicle may under no circumstances be parked on the street or anywhere other than in its allocated parking.
- 6.2 The closing speedometer reading and kilometers travelled are entered on the trip authorization form.
- 6.3 Once parked, the driver shall ensure that the logbook/trip authorization form is completed properly.
- 6.4 The driver shall ensure that the vehicle is in a clean and tidy condition. If the vehicle got dirty while in use, the driver must arrange for it to be cleaned by car washers used by council. If the employee returned late he/she shall arrange for the washing of the vehicle on the following day.
- 6.5 The driver will ensure that the vehicle is locked properly and should the vehicle have a removable radio/radio cover, he/she shall remove the same and give it to the Fleet Management Officer for safe keeping.
- 6.6 The driver must enter the odometer reading and trip kilometer reading on the log book/trip authorization form, and lock the vehicle (all doors and boot) and ensure that the fuel tank is full.
- 6.7 The driver shall undertake a visual post-inspection of the vehicle to ensure that no dents, scrape marks, cracked windows, worn-out tyres, etc. appear. In the event of any visible damage, the driver shall endorse the inspection sheet accordingly and shall immediately submit a written report in that regard to his/her Head of Department and Fleet Management Officer.

- 6.8 The driver shall return the keys, petrol card, toll gate slips, fully completed trip authorization form, pre-drive inspection sheet and petrol slips to the Fleet Management Officer and report verbally and in writing any observations or defaults.
- 6.9 All verbal reports should be recorded in the register of defaults.
- 6.10 Formal reports should be submitted to the fleet management officer within 12 hours.
- 6.11 Should a vehicle be returned after office hours, the keys, logbook, petrol card, toll gate slips, fully completed trip authorization form, pre-drive inspection sheet and petrol slips should be kept in the car for submission to fleet management officer

## **7. WHAT THE DRIVER MUST DO IN CASE OF AN ACCIDENT**

If the driver of a municipal vehicle is involved in an accident, or has contributed to an accident, irrespective of the damage caused on vehicles or properties, such driver shall:

- 7.1 Stop the vehicle immediately, there is a legal and indeed a moral obligation to report a collision to the nearest police station, even if you hit a lamp stand or a stationary vehicle and the accident is not witnessed.
- 7.2 Check the nature and extent of any injury to another person.
- 7.3 If a person has been hurt, give help by administering first aid, (if you know how), summons the police and, if necessary, an ambulance.
- 7.4 Determine the nature and extent of any damage suffered.
- 7.5 If required to do so by any person entitled to such information, provide and obtain the following information:
  - 7.5.1 Name, address, telephone and cell number of the other driver;
  - 7.5.2 Name, address, telephone and cell number of the owner of the other vehicle;
  - 7.5.3 Numbers of the other vehicle;
  - 7.5.4 Names of the driver's/owner's insurance company/insurance broker;
  - 7.5.5 Full details of the place and time of the collision and the road conditions and visibility at the time;
  - 7.5.6 License number and its expiry date;
  - 7.5.7 Identity number
- 7.6 Make a short note (to jog your memory) of what occurred immediately before and at the time of the collision (including a description of what happened, the speed at

which the vehicles were travelling, whether the lights were on or off, whether the other driver was indicating etc).

- 7.7 If there is a camera at the time of the collision, take photographs of the scene of the collision from various angles. If not, it is always a good idea to return to the scene as soon as possible thereafter, to take the necessary photographs.
- 7.8 Measure distances from the point of the collision to identifiable landmarks such as traffic lights, lamp stands, stop signs and the like and make a rough sketch showing the position of the vehicles immediately before and after the collision.
- 7.9 If there are people involved and eye witnesses, take down their full names, addresses, telephone and cell numbers.
- 7.10 Do not admit liability for the collision, whether to the driver of the other car, a bystander or to the Police, as this may prejudice any claim that you may have either against the other driver or in respect of your policy insurance. Do not make any statement, or comment on the cause of the accident or get involved in an argument with anyone regarding the accident. On the other hand, if the other driver apologizes for the collision and admits liability, do not hesitate to have him sign a written admission of liability there and then and, if possible, have that statement witnessed. On the other hand, if he/she is not prepared to commit his apology to writing, endeavor to persuade him/her to make his/her admission in the presence of a responsible official, such as a police officer.
- 7.11 If a person or animal has been injured, do not move the vehicle, even if it obstructs the traffic until you are given permission to do so by a traffic officer or unless the vehicle completely obstructs the road. However, if you do move the vehicle, it is important to chalk out its position before doing so. On the other hand, if no one has been injured, it would be important to move the vehicles out of the road to prevent a further collision with oncoming traffic. Where the vehicle is perceived to be obstructing the traffic, place hazard triangle 25 meters ahead or behind the vehicle to warn other road users and switch on the hazard lights.
- 7.12 Confirm telephonically with the Head of Department or Fleet Management Officer for arranging to remove the municipality's vehicle from the scene of the accident by a tow-in-service, should the vehicle be in such a condition that it cannot be driven.
- 7.13 If there is a traffic officer at the scene of the collision, provide him with such information as he/she may require. The accident must be reported within 24 hours to the police station or at an authorized office of a traffic officer (unless you are injured and cannot do so timeously, in which event you must report the accident as soon as is reasonably practicable) and obtain a reference/case number. When reporting the accident, give only the bare essentials and do not commit yourself to a written statement before consulting your insurance company or attorney.

- 7.14 Do not take any alcohol or drugs after the accident.
- 7.15 All Municipal vehicles shall be repaired by the approved service provider/the Manufacture.
- 7.16 Employee failing to comply with the above will be subjected to disciplinary actions.

## **8. VEHICLE BREAKDOWN AND THEFT**

- 8.1 In the event of a vehicle breakdown the driver must first attempt to move the vehicle to a safe place where it is not likely to be safety hazard to other road users. If the vehicle cannot be moved, the driver must make every effort to reduce the possibility of causing a safety hazard to other road users by placing the hazard triangle 25 meters ahead or behind the vehicle and in such a position as to warn other road users. The hazard lights must be switched on and hand signals be used where possible.
- 8.2 If the driver has to leave the vehicle to summons assistance, he/she shall make every effort to secure the vehicle and its load. Emergency help should be obtained from the nearest available source.
- 8.3 If there is no immediate need for emergency assistance the driver must contact his/her Head of Department or the Fleet Management Officer.
- 8.4 In the event of a vehicle being stolen the SAPS, Municipal Manager/Acting Municipal Manager and insurers must be notified immediately and if the vehicle is not recovered, it must be deregistered at the registering authority.
- 8.5 In the event of a hijacking or armed robbery, the line manager must ensure that the affected staff member(s) is/are given the necessary counselling.

## **9. PARKING OF VEHICLES AFTER USE**

- 9.1 The Council vehicles shall always be parked in the allocated undercover parking bays at the Municipal building and under no circumstances shall the driver utilize the vehicle after hours, or during weekends without written authority endorsed by the relevant Head of Department, except for employees on standby duty.
- 9.2 Should a driver require a vehicle after hours or over week-ends, which makes it impractical to park as indicated in section 9.1 above, written permission must be obtained from the Municipal Manager/Acting Municipal Manager, via the relevant

Head of Department for such usage, irrespective of the period for which the vehicle is required, provided that the driver can give an undertaking that the vehicle will be safely parked in a lockable garage or any other place which the Municipal Manager/Acting Municipal Manager will be satisfied that it is safe. This permission may be withdrawn for whatever reason by the Municipal Manager/Acting Municipal Manager.

## **10. DUTIES OF THE FLEET OFFICER**

The Fleet Management Officer must:

- 10.1 Ensure that vehicles exceeding 3 500kg GVM undergo annual roadworthy testing and obtain COF before licenses and clearance certificates are issued.
- 10.2 Ensure that vehicles are always kept in a roadworthy condition and have valid annual certificates of fitness.
- 10.3 Ensure that the licensing of motor vehicles and plant that require license renewals on an annual basis is done timeously.
- 10.4 Inspect the vehicles at least once a month to ensure that they are kept in a usable state and tidy and make monthly report on the state of municipal vehicles.
- 10.5 Reconcile expenditure and kilometers travelled by different departments and submit a report together with petrol slips, tollgate slips and other relevant invoices to the Department of Finance within 5 working days after the end of each month.
- 10.6 Ensure that all Council vehicles have the Council name and logo affixed on each side.
- 10.7 Ensure that all Council vehicles are regularly serviced, and service schedules are kept in the vehicle.

## **11. DUTIES OF HEADS OF DEPARTMENTS**

The Heads of Departments must:

- 11.1 Keep track of expenditure and budgets to ensure economical and effective use of the funds and to prevent over-expenditure.
- 11.2 Ensure that the vehicles assigned or used by employees within their respective departments are used in accordance with this policy and relevant legislation and should take necessary measures to control deviations.

## **12. INSURANCE**

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

## **13. ECONOMIC LIFE ASSESSMENTS AND DISPOSAL**

- 13.1 Economic life assessments should be performed to determine the economic service life expectancy of vehicles and plant under their specific operating conditions. The re-sale and trade-in values should also be taken into consideration as well as the ever-increasing new vehicle and plant costs.
- 13.2 In terms of generally recognized accounting practices (GRAP), vehicle and plant assets are required to be depreciated over their respective life expectancies. The Chief Financial Officer must ensure that vehicle and plant assets are depreciated annually and have their appropriate values entered in the asset register.
- 13.3 Vehicles and plant will be scrapped when they become redundant or get beyond economical repair.
- 13.4 A decision to dispose the vehicle is taken proper technical evaluation should be done to determine whether the vehicle can still be used.
- 13.5 The following should be considered during the disposal process:
  - 13.5.1 The necessity of the vehicle or plant and its effect on services which are rendered.
  - 13.5.2 The service history of the vehicle or plant.
  - 13.5.3 The appropriate norms to be complied with before the vehicle or plant can be replaced or scrapped.
- 13.6 Disposal should be done according to the Council's Supply Chain Management Policy and the Council should receive maximum benefit from the disposal process.

## **14. CONTRAVENTION OF THE VEHICLE POLICY**

- 14.1 Any driver who contravenes this vehicle policy will be subjected to a disciplinary enquiry.
- 14.2 Continuous minor offences of this policy will also result in disciplinary action being taken.
- 14.3 The following penalties could be involved for non-compliance with this policy:
  - 14.3.1 Refusal of permission to drive municipal vehicles,
  - 14.3.2 Payment of excess amount for insurance purposes, or full amount where the cause of an accident is due to negligence on the part of the driver.
- 14.4 Councilors who contravene this policy will be reported to the EXCO for institution of the necessary disciplinary action.
- 15.5 The driver shall not tamper with the Municipal vehicle as this will constitute disciplinary action.

## **15. CONCLUSION**

- 15.1 This policy is put in place to ensure that drivers have a uniform instruction and guideline of what is expected of them whilst driving the municipality's vehicles.
- 15.2 Should any driver feel uncomfortable with his/her driving skills, he/she must report such feeling to the Head of Department who will arrange for the necessary training to be provided. Rather report your incompetence than risk your life or the municipality's property.
- 15.3 This document constitutes the Ingwe Local Municipality's Vehicle Policy and a copy thereof shall at all times be kept in all vehicles of this municipality and each and every driver shall, before driving any council vehicle, sign for acknowledging that he/she has read and understood this policy.
- 15.4 This Policy shall come into effect on a date of its approval by Council.

**16. COUNCIL APPROVAL AND EFFECTIVE DATE**

Approval of Policy by Council and Effective date: -----

MUNICIPAL MANAGER DATE.....

# EMADLANGENI MUNICIPALITY



## INDIGENT POLICY 2025/2026 FINANCIAL YEAR

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## 2. INTRODUCTION

eMadlangeni municipality is committed in supporting and to assist in empowering its community. The large percentage of the population in the jurisdiction of eMadlangeni is in need of the indigent support to ensure that they have access to basic level of services as per the constitution.

The municipality strives to meet the constitutional objectives and the criteria lay down by the credible indigent policy assessment framework provided by the Department of Local Government.

The successful implementation of this policy depends on the affordability and social analysis of the eMadlangeni area as should be included in the municipal Integrated Development Plan. The foundation laid by section 74 of the Municipal Systems Act 2000 stipulates that poor households must have access to basic services through tariffs that cover only the operating and maintenance costs

**Whereas** the municipality receives an equitable share contribution from National Treasury annually

**And whereas** the National Department of Provincial and Local Government has issued guidelines regarding indigent support;

**And whereas** the municipal wishes to give access to basic services for all of its communities;

**Now therefore** the municipal council of eMadlangeni adopts the following indigent Policy

## 2. DEFINATIONS

“For the purpose of this policy any word or expressions to which a meaning has been assigned in the Act shall bear the same meaning in this policy and unless the context indicates otherwise.”

<b>Account</b>	means any account rendered for municipality services provided
<b>Account holder</b>	means any person with whom the Municipality has concluded an agreement for the payment of the consumption of municipal services and he or she is liable thereof
<b>Consumption</b>	means the ordinary use of municipal services, refuse removal and electricity services for domestic or household purposes
<b>Indigent</b>	means any household including a child headed household earning less than the gross monthly income determine by the resolution of the Municipal Council in terms of the social economic analysis of the area.
<b>Child headed household</b>	Means households headed by any person under the age of 21 years but with all the requirements for an indigent household.
<b>Household</b>	refers to a house and its occupants regarded as a unit or the people in a family or other group that are living together in one house, including biological/foster/adopted children
<b>Indigent support</b>	means the assistance given by the Municipal Council to registered indigent households in respect of electricity and rates
<b>Indigent register</b>	means the municipal list of indigent customers as per the municipal policy, which has to be updated on an annual basis.
<b>Municipality</b>	means eMadlangeni Municipality
<b>Municipal services</b>	refers to the services provided by the municipality including refuse removal, electricity and rates
<b>Owner</b>	the person in whom from time to time is vested the legal title to premises
<b>Residential consumer</b>	means a person who resided within the area jurisdiction of the eMadlangeni Municipality
<b>Recipient of indigent</b>	
<b>Support</b>	means a person whose household has been classified, in terms of the council’s determined criteria as being an indigent and receives

assistance and or subsidisation from the municipality with respect to municipal services.

**Financial year** means the financial year of the municipality that runs from July to June.

### 3. POLICY ISSUE

It provides a foundation upon which eMadlangeni municipality can create its indigent register to meet its responsibility of providing basic municipal services. This policy is intended to improve the lives of indigent.

### 4. OBJECTIVES OF POLICY

The objectives of this policy are to:-

- a. The objective of this policy is an attempt to close the Gap between those who are indigent and other citizens of eMadlangeni Municipality, through the targeted assistance with free allocations of electricity and other services
- b. This objective should ensure that all citizens of eMadlangeni Municipality are able to participate in the community, and are not barred through their indigent status.
- c. The long term objectives is to move those who are indigent away from the need for free basic services and other support measures into a more positive developmental role as rate paying citizens of the community.
  - i. Provide a framework with which the Municipality can exercise its executive and legislative authority with regard to the implementation of financial aid to indigent and poor households in respect of their municipal account;
  - ii. Determine the criteria for qualification of indigent and poor households;
  - iii. Ensure that the criteria is applied correctly and fairly to all applicants;
  - iv. Allow the Municipality to conduct in local visits to premises of applicants to verify the actual status of the household;
  - v. Allow the Municipality to maintain and publish the register of names and addresses of account holders receiving subsidies.

## **5. SCOPE OF APPLICATION**

The policy covers all the rural and urban areas under the jurisdiction of eMadlangeni Municipality where indigent residents have been identified and registered.

## **6. POLICY PRINCIPLE**

This policy undertakes to promote the following principles

- To engage the community in the development and implementation of this policy
- To promote integrated approach to free basic service delivery
- To ensure that the equitable share received annually will be utilised to benefit the poor community members.

## **7. LEGAL FRAMEWORKS**

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

- The Constitution of the Republic of South Africa, 1996
- The Municipal Systems Act, 2000 (Act No. 32 of 2003)
- The Local Government: Municipal Property Rates Act (Act No. 6 of 2004)
- The Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
- The promotion of Access to information Act, 2000 (Act No. 2 of 2000)

## **8. ECONOMIC PROFILE**

In terms of the statistics, 29% of our labour force is employed. This represents a 24% decrease in employment from 2001 which was 53%. The global credit crunch and mechanization are some of the factors that may have caused the massive job loss.

One of the challenges that prevent local people from getting decent jobs is lack of skills. A majority of the population (55, 9%) did not reach secondary school and therefore only have primary education.

The types of jobs these people get pay them less than the indigent threshold of the municipality. This in turn creates challenges for the municipality in terms of revenue collection and sustainable service delivery.

## **9. TARGETING APPROACH**

To qualify for “Applied Indigent status”, a household must comply with the following criteria:-

- a. **The total household income may not exceed R5 000 per month.**
- b. All households who are grant dependant.
- c. Disabled Person to also provide medical certificate.
- d. Unemployed Child headed Household not older than 21 years,
- e. Pensioner in the case of joint property ownership 50% is applicable to one spouse/partner.
- f. **Pensioners who receive non-government pension below R 5 000,00 per month.**
- g. Must be a permanent resident of eMadlangeni;
- h. The applicant must be a resident of a single property (stand), in the event of recognised polygamous customary marriages the applicant should provide property registration documents (title deed/lease agreement) for each property.
- i. The householder must be a resident of eMadlangeni and living permanently on the property, and have a registered account with the Municipality, except that the requirement of being registered as an account holder does not apply to households in informal settlements where no accounts are rendered nor in rural areas where accounts are rendered.
- j. An indigent account holder must immediately request de-registration if his/her circumstances have changed to an extent that s/he no longer qualifies for indigent support.
- k. It is the responsibility of the resident who cannot afford to pay the full municipal tariff for services received to apply for the indigent support.

## **10. APPLICATION PROCEDURE**

Registration must be undertaken three months before the beginning of each financial year. The responsibility for applying for indigent support in terms of the policy rests with the resident who has low income and cannot afford to pay the full municipal tariff for services received.

The indigent application must be done on a prescribed form obtainable from the municipal offices and ward committees and application forms must be submitted at the public participation office and revenue unit.

### **10.1 REGISTRATION**

The basic point of departure is that Council will assist, through funds received from Central Government, to provide basic services to “poorer” households within the Council’s service provision area. In this regard no discriminations on any grounds will be allowed.

**In order to qualify for financial assistance, the following will apply.**

- a. Only registered residential consumers of services delivered by council will qualify.

- b. No residential consumer conducting a business from the residential property, with or without special consent obtained from Council or with or without existing usage rights shall qualify for assistance.
- c. Assistance in respect of electricity or alternative source of energy, and rates charges will only be granted to registered owners of properties consuming the relevant services.
- d. Occupants /residents who own more than one property and occupying a house where application is sought will render such application of the owner/occupier invalid.

**The account holder must apply in person and must present the following documents upon application.**

- a) Account holder's identity document/ certified copy;
- b) An application form duly completed with the necessary proof as required;
- c) Proof of residence/ latest municipal account in his/her possession
- d) Applicants biological/foster/adopted children's identity documents
- e) Recommendation by ward councillor or traditional council detailing qualifying reasons.
- f) Bank stamped letter confirming accounts with all verified financial institutions i.e. Standard Bank, FNB, ABSA, Capitec, Old Mutual and other.
- g) Latest payslip or; proof of employment from the employer; or proof of social grant or pension.
- h) In the absence of such documentation, an affidavit declaring the applicant's income, or if unemployed, a declaration of the applicant's unemployment status
- i) Medical certificates for medically boarded applicants/disabled applicants
- j) Death certificated of parents, certification by department of Social welfare as well as affidavit for child headed house holds
- k) Marriage Certificate on joint property ownership for deceased property owners.
- l) Letter of Authority from the court on deceased property owners.
- m) Non South African residents will qualify should they have valid permits

## **10.2 DEREGISTRATION /EXIT**

**Indigent support will be terminated under the following circumstances:**

- a. Death of the account holder.
- b. End of the 12-month cycle, except for those in receipt of old age social grants (Pension), and disability grants

- c. Upon change of ownership of the property in respect of which support is granted.
- d. When circumstances in the indigent household have improved in terms of **gross income threshold R5 000,00** as prescribed by Council.
- e. When the indigent accountholder disposes of the property, either by sale or by means of donation
- f. If the applicant is found to have lied about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply.
  - i. All arrears will become payable immediately
  - ii. Credit control measures will apply and
  - iii. The applicant will not be eligible to apply for indigent support for a period of two years.

### 10.3 APPEALS

Any aggrieved person who was not successful in the application to be regarded as an indigent, may lodge an appeal to the Municipality within a period of 14 days from the date on which the aforesaid decision was communicated to the applicant.

## 11. VERIFICATION OF INDIGENT APPLICATIONS

**The indigent support will be approved based on the following verifications**

- Ward Committee verification
- Operation Sukuma Sakhe (through family profiling)
- CDW Verification (through family profiling)
- Physical household verifications will be conducted prior approval.
- Indigent Verification Committee
- Auditor General

## 12. EXTENT OF INDIGENT SUPPORT

- a. Subsidies will be limited to property rates, electricity, refuse removal and indigent burial support.
- b. Subsidies will be determined during the compilation of annual budget.
- c. The source of funding of the indigence subsidy is that portion of the equitable share contribution received from National Treasury and any additional provisions made by council and provided for the annual operating budget.
- d. In respect of electricity consumed, a subsidy up to 50kWh per month will apply.
- e. In respect of property rates, pensioners will receive 50% rebate. Indigent customers will receive 100%
- f. In respect of refuse removal, the pensioners, retirees and disabled persons will receive 10% discount. Indigent customers will receive 100%

- g. If consumption per metering period (month) exceeds any of the norms state in (4.4), usage will be restricted and the account holder will be obliged to pay such excess consumptions at the applicable normal tariffs.
- h. If a customer's consumption or use of municipal service is less than the subsidised service, the unused portion may not be accrued and the customer will not be entitled to a cash rebate in respect of the unused portion.
- i. Indigent customers will be provided with indigent burial support.

### **13. COMMUNICATION**

The policy shall be communicated through war rooms, Sukuma sakhe meetings, and different forums so that different members of the community will become aware of the indigent policy.

### **14. PUBLICATION OF NAMES OF QUALIFYING APPLICANTS**

The Municipality will publish the approved beneficiary his/her name and address on a list of account holders receiving subsidies in terms of this policy and may be submitted to credit authorities. Any person may inspect or scrutinize the list at a Customer Care Office and inform/notify the Municipality of any person who, according to their true circumstances, should not be in receipt of a subsidy as envisaged in this policy.

### **15. EXIT PROGRAMME**

An indigent customer must immediately request deregistration where his or her circumstances have changed to an extent that he or she no longer complies with the requirements of an indigent person.

The municipality may promote exit from the indigent register by identifying indigent families to be included in the EPWP projects and other LED projects

### **16. PROCESS MANAGEMENT**

#### **i. Validity period**

The period for assistance will be for a maximum period of 12 months. Existing indigent customers must re-apply before the end of April each year to renew their indigent status. Notification to this effect will be advertised annually and ward councillors to cascade the information to their wards for the renewal and new applications in their wards.

#### **ii. Death of registered applicant**

In the event that the approved applicant passes away, the heirs of the property must re-apply for indigent support provided that the stipulated criteria are met.

**iii. Excess usage of allocation**

If the level of consumption of the indigent household exceeds the total package as approved by the Municipality, from month to month or exceeds the monthly charges raised on the indigent's accounts; the household will be obliged to pay the excess consumption on a monthly basis. Such accounts will be subject to the Municipality's credit control and debt collection measures.

**iv. Arrears on indigent accounts**

Once an application for indigent support has been approved all arrears on the consumer account will be written off.

**v. Monitoring and Reporting**

The Municipality reserves the right to send officials and/or representatives of the Municipality to the household or site of the applicant(s) at any reasonable time, with the aim of carrying out a local verification of accuracy of the information provided by the applicant(s). Such audit will be conducted on a continuous basis.

The municipality will report on a monthly basis on the indigent support.

## **17. NON-COMPLIANCE OF HOUSEHOLD REGISTERED AS INDIGENT**

When a property owner or occupier who has registered as an indigent fails to comply with any of the conditions relevant to the receipt to the receipt of indigent relief, such person forfeit his or her status as registered indigent with immediate effect, and will thereafter be treated as an ordinary accountholder for financial year concerned.

## **18. FALSE INFORMATION**

A person who provides false information be suspended for FIVE (5) years and be refused further participation in the subsidy scheme during that period. In addition, he/she will be held liable for the immediate re-payment of any subsidies already granted and legal action, civil or criminal may be instituted against the guilty party or parties.

## 19. CURRENT AMOUNTS IN ARREARS

Applicants, whose municipal accounts show arrear amounts at that time of the application for a subsidy will be treated in terms of the provisions of credit policy of the council regarding their status as indigent,

## 20. IMPLEMENTATION AND REVIEW

- i. The accounting Officer shall be responsible for the implementation and administration of this policy with assistance of the Chief Financial Officer: Budget and Treasury, once approved by council.
- ii. The contact person in respect to this policy is the Chief Financial Officer as well as the Revenue Accountant.
- iii. The policy shall be reviewed annually as part of the budget process.

## 21. EFFECTIVE DATE

This policy comes into effect on date of signature hereof by the Executive Authority.

\_\_\_\_\_  
MUNICIPAL MANAGER

GN MAVUNDLA

\_\_\_\_\_  
DATE

## **22. ANNEXURE A: ROLES AND RESPONSIBILITIES OF DEPARTMENTS**

### **ROLE OF BUDGET AND TREASURY OFFICE (BTO)**

- Verification of registered indigents (segregation of duties & potential audit query);
- Flagging the indigents on the financial management system;
- Completeness and credibility of all municipal debtors including indigent ;
- Accounting for free basic services and the Equitable Share allocation;
- Accounting for indigent debtors including write-offs;
- Budgeting for free basic services;
- Provide for indigents in the tariff policy;
- Determine a stepped tariff where appropriate;
- Provide for the indigent management in the Credit Control and Debt Collection Policy (including write-off of indigent debtors);
- Deal with audit queries around the financial management of indigents

### **ROLE OF PUBLIC PARTICIPATION**

- Creating awareness of the free basic services programme;
- Develop policy on indigent in consultation with the Budget and Treasury Office;
- Manage the application and registration process;
- Develop the indigent register;
- Maintain the indigent register;
- In the case of District liaise with the local municipalities regarding the creation of a comprehensive indigent register and list of beneficiaries;
- Monitoring and evaluation of the indigents;
- Deal with the audit queries around the completeness and credibility of the register

### **ROLE OF TECHNICAL SERVICES**

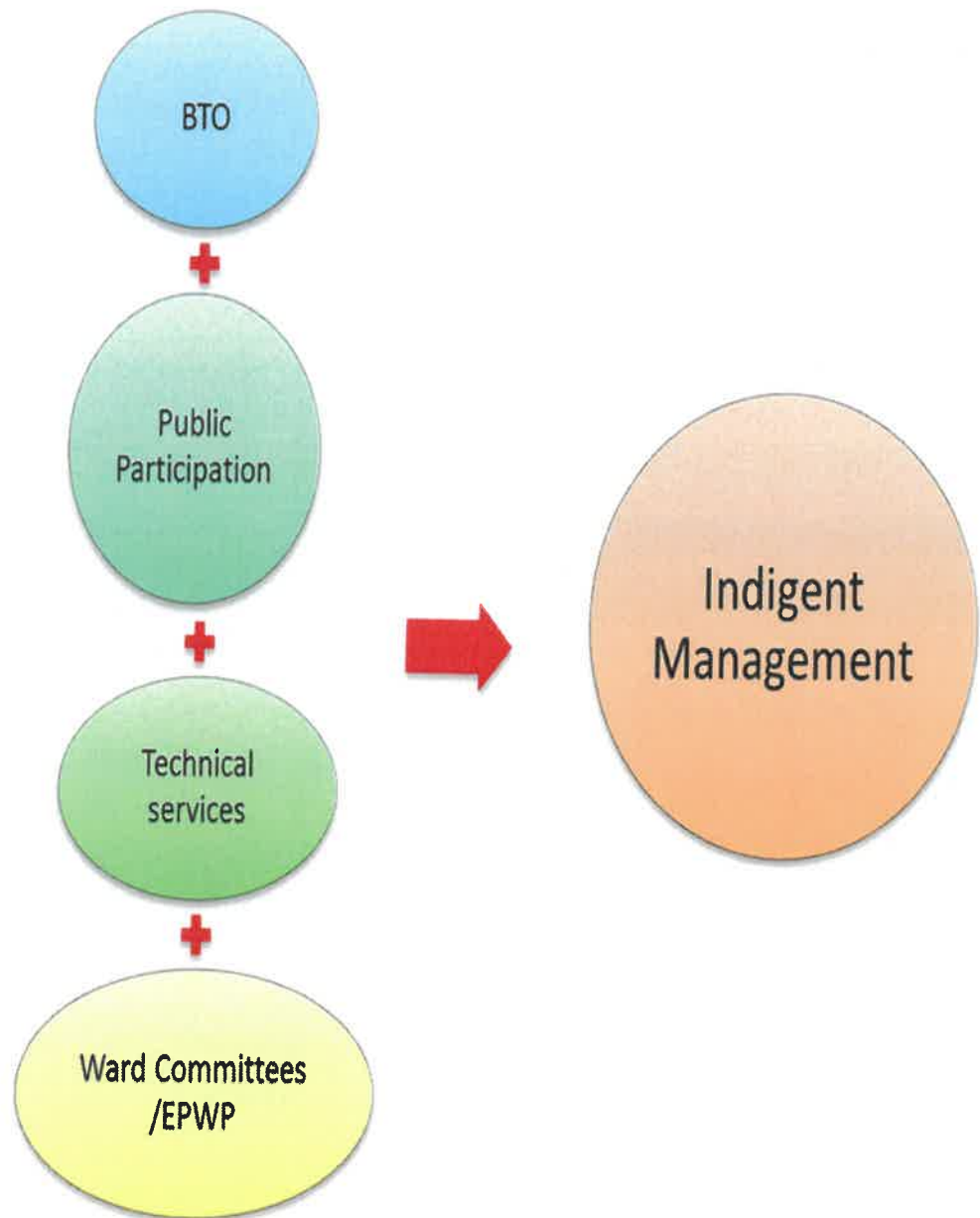
- Needs to understand indigents and what free basic services that the municipality provides;
- Provide input in the indigent policy based on experiences gained on the ground;

- Share beneficiary details with Public Participation and Budget and Treasury Office regarding new connections;
- In collaboration with the Budget and Treasury Office, install pre-paid meters where necessary and deemed appropriate;
- Support the free basic programme by dealing with illegal connections

**23. INDIGENT REGISTER**

Applicant	Ward	Property	Address	Contact Number	ID Number	Gender	Total Number of Households	Disability Status	Account Number	Meter Number	Total Household Income	Total Number of Household	Comment

## 24. ANNEXURE B: INDIGENT MANAGEMENT STAKEHOLDER'S



# EMADLANGENI LOCAL MUNICIPALITY



## COST CONTAINMENT POLICY

**2025-26**

This policy document seeks to implement National Treasury instruction 01 of 2013/14; Government Gazette 37042 dated 15 November 2013 and MFMA Circular 70 of 3 December 2013 , Circular 82 of March 2016.

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

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

### **1.1 Measure**

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

### **1.2 Controls**

1. Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Director Corporate Services (DCS), ensure compliance.
2. The Director Corporate Services (DCS) must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011).
3. The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies.

## **2. Travel claims**

### **2.1 Measure**

Ensure effective control over travel claims.

### **2.2 Controls**

1. Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.
2. Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.
3. The respective Directors should exercise control over the distances travelled.

## **3. Essential Vehicle User Scheme**

### 3.1 Measure

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

### 3.2 Controls

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

## 4. **Acting Allowances**

### 4.1 Measure

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

### 4.2 Controls

1. Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
2. Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
3. Acting **must** only be permitted in funded vacant positions.
4. Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
5. Acting for extended periods **must** be discouraged, unless **motivated** to the Accounting Officer, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

## 5. **Overtime**

### 5.1 Measure

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

### 5.2 Controls

1. Overtime should only be pre- approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.
2. Authority to work overtime in excess of 40 hours per month, must be obtained from the Accounting Officer and accompanied by a motivation **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).
3. The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Accounting Officer prior** to the actual overtime being worked.
4. The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
6. The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
7. The Director Corporate Services must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

## 6. Catering, Refreshments & Entertainment

### 6.1 Measures

National Treasury instruction 01 of 2013/2014 as it relates to expenses for catering and events, states the following: -

1. **Constitutional institutions** may not incur catering expenses for **internal meetings**, i.e. for meetings attended only by **persons in its employment**, unless approved by the accounting officer.
2. **Constitutional institutions** may not incur expenses on **alcoholic beverages**, except for instances where alcohol is to be served at functions relating to: -
  - a. State banquets;
  - b. The promotion of South Africa and any of its goods or services; or
  - c. The hosting of foreign dignitaries.
3. The Accounting Officers must ensure that team building exercises and social functions, including year-end functions and farewells, **are not financed from the budgets of their respective establishments or by any suppliers or sponsors.**

In implementing the aforementioned instruction, the following controls are applicable as it relates to catering and entertainment: -

## 6.2 Controls

1. Apart from tea, coffee and muffins, **no catering and refreshments** will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
2. At the discretion of the Accounting Officer, catering and refreshments **may** only be provided at meetings with overseas visitors and other spheres of government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.

## 7. **Telephone Costs**

### 7.1 Measures

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

### 7.2 Controls

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

## 8. **Municipal Workshops, Retreats, Strategic Sessions and Internal Training**

### 8.1 Measures

### 8.2 Controls

1. Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
2. The Director concerned must submit a motivation to the Accounting Officer, in the event of local municipal venues not being available.
3. Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
4. The necessary proof must be provided to the Accounting Officer, where local municipal venues or facilities at other government institutions are not available.

5. Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Accounting Officer approving the use of external venues.

## **9. Projects /Programme Launches**

### 9.1 Measures

### 9.2 Controls

1. The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.
2. When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

## **10. Uniforms and Clothing**

### 10.1 Measures

### 10.2 Controls

1. A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.
2. A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

## **11. Travel and Subsistence**

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

-

### 11.1 Measures

Municipality may use National Treasury negotiated and improved upfront discounts for travel and accommodation unless they can negotiate rates which are lower rate than the agreements.

### 11.2 Controls

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

2. The Accounting Officer may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.
  3. Purchasing of air tickets for first class travel is not permitted, under any circumstances.
  4. Domestic hotel accommodation linked to travel and subsistence may not exceed R1 300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.
  5. The amount of R1300 quoted above may be exceeded with approval of the Accounting Officer in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.
  6. Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.
  7. Sharing of the mode of transport when Employees / Councillors travel to the same destination.
  8. Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).
  9. When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).
  10. Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.
- 11. Attendance of Conferences, Seminars & Workshops**
- 11.1 Measures
  - 11.2 Controls
    1. Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.
    2. The Director concerned must submit a motivation to the Accounting Officer, outlining the absolute necessity for attendance.

3. The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.
4. The Director concerned must submit a motivation to the Accounting Officer, if the number of required attendees exceeds two delegates from the Municipality.
5. Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
6. In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Accounting Officer.

## 12. Use of Consultants

National Treasury instruction 01 of 2013/2014 as it relates to expenses for the use of consultants, states the following: -

1. **Constitutional institutions** may only contract in consultants after a gap analysis has confirmed that the constitutional institution concerned does not have the requisite skills or resources in its fulltime employment to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the Accounting Officer.
2. Consultants must only be remunerated at the rates: -
  - a. Determined in the "Guideline for fees", issued by the South African Institute of Chartered Accountants (SAICA);
  - b. Set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA), or
  - c. Prescribed by the body regulating the profession of the consultant.
3. Hotel accommodation and related costs in respect of consultants may not exceed the amount of R1300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount. Air Travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa (AA SA).
4. All contracts of consultants must include penalty clauses for poor performance and in this regard, Accounting Officers must invoke such clauses where deemed necessary.
5. Accounting Officer must develop consultancy reduction plans by 31 March of each year for implementation in the ensuing financial year. The first consultancy reduction plan required in terms of Treasury instruction 01 of 2013/2014 must be developed before 31 March 2014 for implementation in the 2014/2015 financial year.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants.

National Treasury Government Gazette No. 42514 of 7 June 2019 states the following on the use of consultants:

- (1) A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function.*
- (2) An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -*
  - (a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa ", issued by the South African Institute of Chartered Accountants;*
  - (b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or*
  - (c) as prescribed by the body regulating the profession of the consultant.*
- (3) The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2).*
- (4) When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.*
- (5) When consultants are appointed, an accounting officer must -*
  - (a) appoint consultants on a time and cost basis with specific start and end dates;*
  - (b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;*
  - (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;*
  - (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;*
  - (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and*
  - (f) develop consultancy reduction plans to reduce the reliance on consultants.*
- (6) All contracts with consultants must include a fee retention or penalty clause for poor performance.*

*(7) A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.*

*(8) The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time. The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.*

## 12.1 Measures

The use of consultants **must** be reviewed and curtailed.

## 12.2 Controls

1. All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Accounting Officer, based on a motivation from the Director concerned, endorses the procurement process.
2. Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
3. Requests for extension of consultants' contracts of appointment must be motivated in writing to the Accounting Officer, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.
4. Any SLA or contract signed with consultants, must include
  - (i) retention and penalty clauses for poor performance,
  - (ii) clauses that deal with skills transfer,
  - (iii) period of the contract must be clearly stated, amongst other pertinent clauses.
5. Directorates who deal with Consultants must ensure compliance with the National Treasury instruction, as it relates to disbursements for travelling and accommodation for consultants.
6. The Accounting Officer **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

#### **14. GENERAL MEASURES TO BE IMPLEMENTED**

1. In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.
2. E-Learning methods should be considered for in-house training.
3. Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.
4. Where possible, transversal contracts must be used for the procurement of goods and services.
5. Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.
6. Bulk purchases should be considered for regularly consumed inventory.

#### **15. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY**

The Cost Containment Policy (CCP) was approved by Council on 31 January 2018; and is thus effective as from this date.

#### **16. MONITORING AND EVALUATION**

Directors are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.

The required reporting framework will be developed by the Director Corporate Services and will be made available to all Directors. The Directors **must** report on the implementation of the CCP, to the Portfolio Committees and the Mayoral Committee on a quarterly basis.

SIGNED BY ACCOUNTING OFFICER

.....

GN MAVUNDLA

DATE:

This policy document seeks to implement National Treasury instruction 01 of 2013/14; Government Gazette 37042 dated 15 November 2013 and MFMA Circular 70 of 3 December 2013 , Circular 82 of March 2016.

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

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

### **1.1 Measure**

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

### **1.2 Controls**

1. Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Director Corporate Services (DCS), ensure compliance.
2. The Director Corporate Services (DCS) must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011).
3. The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies.

## **2. Travel claims**

### **2.1 Measure**

Ensure effective control over travel claims.

### **2.2 Controls**

1. Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.
2. Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.
3. The respective Directors should exercise control over the distances travelled.

## **3. Essential Vehicle User Scheme**

### 3.1 Measure

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

### 3.2 Controls

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

## 4. **Acting Allowances**

### 4.1 Measure

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

### 4.2 Controls

1. Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
2. Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
3. Acting **must** only be permitted in funded vacant positions.
4. Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
5. Acting for extended periods **must** be discouraged, unless **motivated** to the Accounting Officer, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

## 5. **Overtime**

### 5.1 Measure

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

### 5.2 Controls

1. Overtime should only be pre- approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.
2. Authority to work overtime in excess of 40 hours per month, must be obtained from the Accounting Officer and accompanied by a motivation **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).
3. The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Accounting Officer prior** to the actual overtime being worked.
4. The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
6. The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
7. The Director Corporate Services must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

## 6. Catering, Refreshments & Entertainment

### 6.1 Measures

National Treasury instruction 01 of 2013/2014 as it relates to expenses for catering and events, states the following: -

1. **Constitutional institutions** may not incur catering expenses for **internal meetings**, i.e. for meetings attended only by **persons in its employment**, unless approved by the accounting officer.
2. **Constitutional institutions** may not incur expenses on **alcoholic beverages**, except for instances where alcohol is to be served at functions relating to: -
  - a. State banquets;
  - b. The promotion of South Africa and any of its goods or services; or
  - c. The hosting of foreign dignitaries.
3. The Accounting Officers must ensure that team building exercises and social functions, including year-end functions and farewells, **are not financed from the budgets of their respective establishments or by any suppliers or sponsors.**

In implementing the aforementioned instruction, the following controls are applicable as it relates to catering and entertainment: -

## 6.2 Controls

1. Apart from tea, coffee and muffins, **no catering and refreshments** will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
2. At the discretion of the Accounting Officer, catering and refreshments **may** only be provided at meetings with overseas visitors and other spheres of government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.

## 7. **Telephone Costs**

### 7.1 Measures

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

### 7.2 Controls

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

## 8. **Municipal Workshops, Retreats, Strategic Sessions and Internal Training**

### 8.1 Measures

### 8.2 Controls

1. Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
2. The Director concerned must submit a motivation to the Accounting Officer, in the event of local municipal venues not being available.
3. Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
4. The necessary proof must be provided to the Accounting Officer, where local municipal venues or facilities at other government institutions are not available.

5. Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Accounting Officer approving the use of external venues.

## **9. Projects /Programme Launches**

### 9.1 Measures

### 9.2 Controls

1. The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.
2. When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

## **10. Uniforms and Clothing**

### 10.1 Measures

### 10.2 Controls

1. A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.
2. A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

## **11. Travel and Subsistence**

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

-

### 11.1 Measures

Municipality may use National Treasury negotiated and improved upfront discounts for travel and accommodation unless they can negotiate rates which are lower rate than the agreements.

### 11.2 Controls

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

2. The Accounting Officer may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.
3. Purchasing of air tickets for first class travel is not permitted, under any circumstances.
4. Domestic hotel accommodation linked to travel and subsistence may not exceed R1 300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.
5. The amount of R1300 quoted above may be exceeded with approval of the Accounting Officer in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.
6. Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.
7. Sharing of the mode of transport when Employees / Councillors travel to the same destination.
8. Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).
9. When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).
10. Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

## **12. Attendance of Conferences, Seminars & Workshops**

### **12.1 Measures**

### **12.2 Controls**

1. Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.
2. The Director concerned must submit a motivation to the Accounting Officer, outlining the absolute necessity for attendance.

3. The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.
4. The Director concerned must submit a motivation to the Accounting Officer, if the number of required attendees exceeds two delegates from the Municipality.
5. Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
6. In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Accounting Officer.

## **12. Use of Consultants**

National Treasury instruction 01 of 2013/2014 as it relates to expenses for the use of consultants, states the following: -

1. Constitutional institutions may only contract in consultants after a gap analysis has confirmed that the constitutional institution concerned does not have the requisite skills or resources in its fulltime employment to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the Accounting Officer.
2. Consultants must only be remunerated at the rates: -
  - a. Determined in the "Guideline for fees", issued by the South African Institute of Chartered Accountants (SAICA);
  - b. Set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA), or
  - c. Prescribed by the body regulating the profession of the consultant.
3. Hotel accommodation and related costs in respect of consultants may not exceed the amount of R1300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount. Air Travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa (AA SA).
4. All contracts of consultants must include penalty clauses for poor performance and in this regard, Accounting Officers must invoke such clauses where deemed necessary.
5. Accounting Officer must develop consultancy reduction plans by 31 March of each year for implementation in the ensuing financial year. The first consultancy reduction plan required in terms of Treasury instruction 01 of 2013/2014 must be developed before 31 March 2014 for implementation in the 2014/2015 financial year.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants.

National Treasury Government Gazette No. 42514 of 7 June 2019 states the following on the use of consultants:

- (1) A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function.*
- (2) An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -*
  - (a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa ", issued by the South African Institute of Chartered Accountants;*
  - (b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or*
  - (c) as prescribed by the body regulating the profession of the consultant.*
- (3) The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2).*
- (4) When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.*
- (5) When consultants are appointed, an accounting officer must -*
  - (a) appoint consultants on a time and cost basis with specific start and end dates;*
  - (b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;*
  - (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;*
  - (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;*
  - (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and*
  - (f) develop consultancy reduction plans to reduce the reliance on consultants.*
- (6) All contracts with consultants must include a fee retention or penalty clause for poor performance.*

*(7) A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.*

*(8) The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time. The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.*

### 13.1 Measures

The use of consultants **must** be reviewed and curtailed.

### 13.2 Controls

1. All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Accounting Officer, based on a motivation from the Director concerned, endorses the procurement process.
2. Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
3. Requests for extension of consultants' contracts of appointment must be motivated in writing to the Accounting Officer, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.
4. Any SLA or contract signed with consultants, must include
  - (i) retention and penalty clauses for poor performance,
  - (ii) clauses that deal with skills transfer,
  - (iii) period of the contract must be clearly stated, amongst other pertinent clauses.
5. Directorates who deal with Consultants must ensure compliance with the National Treasury instruction, as it relates to disbursements for travelling and accommodation for consultants.
6. The Accounting Officer **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

#### **14. GENERAL MEASURES TO BE IMPLEMENTED**

1. In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.
2. E-Learning methods should be considered for in-house training.
3. Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.
4. Where possible, transversal contracts must be used for the procurement of goods and services.
5. Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.
6. Bulk purchases should be considered for regularly consumed inventory.

#### **15. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY**

The Cost Containment Policy (CCP) was approved by Council on 31 January 2018; and is thus effective as from this date.

#### **16. MONITORING AND EVALUATION**

Directors are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.

The required reporting framework will be developed by the Director Corporate Services and will be made available to all Directors. The Directors **must** report on the implementation of the CCP, to the Portfolio Committees and the Mayoral Committee on a quarterly basis.

SIGNED BY ACCOUNTING OFFICER

.....

GN MAVUNDLA

DATE:

# **EMADLANGENI LOCAL MUNICIPALITY**



## **PROJECTS RETENTION POLICY 2025/26**

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# **POLICY FOR PROJECT RETENTIONS AND GUARANTEES**

## **1. DEFINITIONS**

### **Retention**

An amount held back by the municipality established from the contract agreement with the contractor, usually set as 10% percentage of work done, with the maximum amount set from the total contract amount. The retention amount is held by the municipality to safeguard against defects which may subsequently develop and which the contractor may fail to rectify. Retention is held back until the contractors obligations are certified as complete and of the standard as per the municipality's specifications.

### **Surety**

Surety is a guarantee in a form of payment or performance given by a party (contractor) as a commitment / promise that the works will be performed and completed. If the job is not completed or the party fails to fulfil the obligation, the municipality may keep the payment to finalise the job.

### **Construction Industry Development Board of South Africa (CIDB)**

The CIDB was established by Parliament (Act 38 of 2000) as a statutory body to provide leadership to stakeholders and to stimulate sustainable growth, reform and improvement of the construction sector for effective delivery and the industry's enhanced role in the country's economy.

### **Contract**

The written agreement entered between the Council and the Contractor, as recorded in the contract form; signed by both parties, including all attachments and appendices thereto and all documents incorporated by reference therein.

All documents which the parties have agreed in writing shall form part of the contract including:

General Conditions of the Contract (GCC) and Special Conditions, Specifications, Drawings, Tender, written records of matters agreed upon after the submission of the Contractors tender, Letter of Acceptance and Agreement executed in terms of Clause 5, and any amendments or additions to the contract as may be agreed to in writing between the parties.

### **Contractor**

Means the natural or juristic person or partnership whose tender has been accepted by or on behalf of the municipality and, where applicable, includes the Contractors heirs, executors, administrators, trustees, judicial managers, or liquidators, but not, except with the written consent of the municipality, any assignee of the Contractor.

**Sub – contractor**

Is a natural or juristic person or partnership that is contracted by the contractor to assist the latter in the performance of his contract by providing certain supplies, services, or engineering and construction work.

**Certificate of Completion**

The certificate issued by the Engineer upon completion of the project and confirming that the construction is complete as per the agreement with the municipality.

**Defects Liability Period**

The period agreed upon by the municipality and the contractor prior to commencing the works, where the contractor is required to “guarantee” the completed works and to rectify any defects that may be discovered or appear.

The defects liability period starts when the Municipality is satisfied that the works are complete and takes delivery or handed over to the Municipality.

**Defects**

Aspects of the works that are not in accordance with the contract. The defects usually occur because of design deficiencies, material deficiencies, specification problems or workmanship deficiencies.

**2. INTRODUCTION**

The municipality currently holds retentions on the retentions register of council. The total retention amount is reflected as a liability in the Statement of Financial Position of the municipality’s Annual Financial Statements (AFS). The municipality has a responsibility to ensure that its liabilities are neither overstated nor understated.

**3. OBJECTIVE**

The objectives of the Retention policy are:

- to provide a framework within which retentions and guarantees can be retained, managed, and released.
- To reduce and manage the liability of the municipality.
- To avoid and reduce associated risks for the municipality as well as the contractor.
- To ensure that the contractor properly completes the works as required.
- To provide guidance on how to manage retention held by the municipality should there be breach of contract by the contractor.

**4. APPLICABLE LEGISLATION**

Retentions are regulated by The Construction Industry Development Board Act 38 of 2000. This act regulates the construction industry as a whole and publishes standards, directives and regulations that gives effect to this objective.

General Conditions of Contract for Construction Works regulates and give guidance to:

- contract information,
- acceptable retention rates
- defect liability period

- limitation for the guarantee/ surety values
- penalties

## **5. RETENTION REGISTER**

The Municipality will keep a retention register. The register will be maintained and updated regularly.

The register shall reflect the below as the minimum information:

- a) Project description
- b) Contractor name
- c) All monies retained to date, per project, per contractor.
- d) All monies released to date, per project, per contractor.

## **6. RETENTION RELEASE**

The contractor is responsible for constructing works that shows no defects during the liability period. Near the end of the defect liability period, the contractor shall request the Municipality to inspect the project and identify defective items which the contractor is responsible for, in terms of the contract.

The amount held as retention by the Municipality will only be paid when the contractor has properly completed the list of defects and certified by the Engineer. The Municipality shall sign the final completion certificate, confirming the project is complete and there were no defects and, all disputes are resolved. The municipality shall be liable to pay the retention due to the contractor. A portion of the amount retained is released upon certification of practical completion, and the remainder or balance is released at the end of the defect liability period. In cases where the contractor has failed to complete the project, the retention money must be used to cover any costs that may be incurred to complete the project.

## **7. PRESCRIPTION PERIOD**

It is the responsibility of the contractor to submit a claim for the retention once the defects liability period has lapsed. Should the retention held not be claimed within a period of 2 years from the end of the defect liability period, the total amount of the retention shall be reversed back to the project if the project is not complete. Retention that has not been claimed two years after the defect liability period when the project is no longer planned for, or, not in progress, shall be written off, and the amount written off from the retention register will be transferred to the accumulated surplus and will form part of the reporting to council annually.

**COUNCIL APPROVAL AND EFFECTIVE DATE**

Approval of Policy by Council and Effective date: -----

MUNICIPAL MANAGER DATE.....

# **Emadlangeni Local Municipality**



## **Assets Loss Control Policy 2025/2026**

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# **1 Introduction**

## **1.1 Purpose**

The purpose of the Asset Loss Control Policy is to establish a structured framework and procedural guidelines for the municipality to proactively manage and mitigate various risks associated with its assets. This comprehensive approach addresses potential losses stemming from property damage, revenue shortfalls, asset misappropriation, and resource depletion. As a cornerstone of the municipality's internal control environment and risk management strategy, the policy aims to foster accountability, enhance asset safeguarding measures, and bolster recovery initiatives. Consequently, the policy seeks to minimise operational disruptions and maintain consistent service delivery.

In the event of asset loss or damage, the policy serves as a robust incident response mechanism. It mandates thorough root cause analyses to identify underlying factors and catalyse the development of targeted corrective actions. This iterative learning process is designed to prevent recurrence and continuously improve asset management practices. A pivotal aspect of the policy is its focus on cultivating a culture of stewardship among municipal officials. By instilling a sense of collective ownership and responsibility for municipal property, materials, and equipment, the policy encourages personnel to actively engage in asset preservation efforts. This cultural shift is instrumental in creating a more resilient and efficient asset management ecosystem within the municipality.

## **1.2 Scope**

This Asset Loss Control Policy applies to all municipal staff, contractors and entities under the control of the municipality. It encompasses all municipal buildings, movable assets, infrastructure, inventory, cash, and any other municipal resources or assets. The policy outlines applicable legislative requirements, defines relevant concepts, specifies applicable loss types,

designates responsibility for loss control activities, standardises reporting procedures, and provides guidelines for investigating and recording asset losses.

### **1.3 Legislative Authority**

This policy is governed by the following legislation:

#### **Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)**

The MFMA compels the Accounting Officer and officials to ensure that an effective, efficient and transparent system is in place to prevent losses and to ensure the safeguarding and maintenance of all assets of the municipality.

Besides minimising of losses, the MFMA also compels Council and Management to recoup losses from persons who are found to be responsible for a loss.

Section 32 of the MFMA states that: “Unauthorised, irregular or fruitless and wasteful expenditure:

- (1) Without limiting liability in terms of the common law or other legislation-
  - (a) a political office-bearer of a municipality is liable for unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in unauthorised expenditure, instructed an official of the municipality to incur the expenditure;
  - (b) the accounting officer is liable for unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);
  - (c) any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or
  - (d) any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

- (2) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure-
- (a) in the case of unauthorised expenditure, is-
    - (i) authorised in an adjustments budget; or
    - (ii) certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
  - (b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.
- (3) If the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality, as the case may be, has taken a decision which if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.
- (4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of
- (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;
  - (b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
  - (c) the steps that have been taken-
    - (i) to recover or rectify such expenditure; and
    - (ii) to prevent a recurrence of such expenditure.
- (5) The writing off in terms of subsection (2) of any unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is no excuse in criminal

or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

- (6) The accounting officer must report to the South African Police Service all cases of alleged-
- (a) irregular expenditure that constitute a criminal offence; and
  - (b) theft and fraud that occurred in the municipality.
- (7) The council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if-
- (a) the charge is against the accounting officer; or
  - (b) the accounting officer fails to comply with that subsection.
- (8) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168.”

**MFMA Circular 76: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings**

This Circular inter-alia deals with the manner in which allegations of financial misconduct should be reported within municipalities including simultaneous reporting of all allegations to the South African Police Services for criminal investigation, the establishment and functioning of the disciplinary board, preliminary and full scale investigations of allegations of financial misconduct and the submission of the necessary reports.

**Local Government Anti-Corruption Strategy: COGTA**

The entire strategy applies to loss control.

**Government Integrity Management Framework: 2015**

The entire framework applies to loss control.

## **Prevention and Combatting of Corrupt Activities Act (12 of 2004)**

The entire act applies to loss control.

## **2 Definitions**

**Claim:** Any form of legal process including a lawsuit, action, interdict, arbitration, inquest, or dispute, together with any situation in which such proceedings are under consideration.

**Equipment:** Physical assets employed by municipal officials in the delivery of their responsibilities and the provision of public services. These assets encompass a range of items, such as vehicles, machinery, tools, and office equipment, which are essential for the effective functioning of municipal operations.

**Financial Asset Loss:** The reduction in municipal funds or revenue brought about by theft, fraud, corruption, non-collection of taxes/fees, unnecessary or unproductive spending, and fines or penalties that adversely affect the municipality's financial health.

**Loss Control:** The process of implementing measures and protocols within a municipality to prevent or reduce the occurrence and impact of losses to municipal assets, as well as efforts to reclaim losses from liable parties.

**Loss:** The occurrence of damage, destruction, or waste of municipal assets that leads to financial or other types of losses.

**Material:** Items consumed in the process of delivering municipal services or during operational activities, such as stationery, fuel, spare parts, and chemicals.

**Municipal Service:** The array of services provided to the local community by the municipality, as required by its mandate.

**Official:** An individual employed by the municipality, whether on a full-time, part-time, or contractual basis.

**Responsibility:** The charge of managing and safeguarding municipal assets against loss, entailing specific duties and oversight obligations.

### **3 Types of Losses**

This policy aims to prevent, detect, investigate and recover the following common types of losses related to municipal assets:

#### **3.1 Damage/Vandalism of Infrastructure Assets**

This includes willful/accidental damage or destruction of immovable infrastructure like municipal buildings, roads, bridges, water/sewer pipes, power lines, street lights etc. resulting in impairment of service delivery capacity and additional costs for repair/replacement.

#### **3.2 Theft/Loss of Movable Assets**

This covers loss of movable assets like office equipment, machinery, tools, furniture, electronic items etc. due to theft, accidents, disasters and poor asset management controls.

#### **3.3 Loss of Inventory**

This refers to loss of inventory items held by the municipality for consumption/distribution due to spoilage, obsolescence, shrinkage, theft or ineffective tracking resulting in impairment of municipal operations and additional procurement costs.

#### **3.4 Vehicle Accidents and Misuse**

This deals with damage and loss risks related to the municipal fleet due to accidents, misuse for personal benefit, and unauthorised activities leading to financial loss and reputational risks.

### **3.5 Fraud/Corruption**

This relates to misappropriation/misuse of municipal funds or assets through deliberate manipulation, falsification, diversion or theft by officials, suppliers, contractors etc. violating financial regulations.

### **3.6 Financial Losses**

This covers loss of municipal revenues owed, unnecessary/excess expenditures, fruitless payments, fines/penalties, irregular investments etc. eroding overall financial health.

## **4 Role Players and Responsibilities**

The following are responsible for the implementation of this policy:

### **4.1 Council**

The council holds overall responsibility for oversight regarding losses and the reduction of losses within the municipality. They must ensure proper governance and monitoring of loss control across all municipal departments through requesting regular reports.

### **4.2 Section 79 Oversight Committees**

The oversight committees established in terms of section 79 of the Municipal Structures Act have a duty to monitor the management of losses within their designated functional areas. This includes scrutinizing loss reports and querying responsible officials.

### **4.3 Executive Mayor**

The Executive Mayor is accountable to the public and council for losses occurring under political leadership. The mayor must promote an ethical culture regarding municipal resources and assets.

#### **4.4 Members of the Mayoral Committee**

Mayoral committee members are responsible for losses within their respective portfolios. They must exercise oversight to detect and prevent losses.

#### **4.5 Municipal Manager**

As accounting officer, the municipal manager is liable for implementing the loss control policy and ensuring all heads of departments carry out their duties in safeguarding assets.

#### **4.6 Chief Financial Officer**

The CFO is the custodian of the loss control policy and responsible for central oversight, including maintaining loss registers and coordinating write-offs.

#### **4.7 Heads of Departments**

HODs are directly responsible for instituting loss control in their departments, adhering to directives, reporting losses, conducting investigations and taking disciplinary steps. They may delegate appropriate duties to managers.

#### **4.8 Line Managers**

Managers must implement procedures to prevent losses within their sections. They have a duty to report losses timeously and carry out instructions.

#### **4.9 All Officials**

Officials must comply with loss control measures, report losses/damage, provide statements, and exercise care in using municipal resources.

#### **4.10 Loss Control Officer**

##### **Appointment of Loss Control Officer**

The Accounting Officer shall appoint a skilled and experienced official as the Loss Control Officer (LCO) to take overall responsibility for loss control and

prevention within the municipality. This appointment will be in writing, signed by the Accounting Officer.

The LCO reports directly to the Chief Financial Officer but also provides regular feedback to the Municipal Manager and Mayoral Committee on loss control activities. He/she must have unfettered access to municipal records and assets to fulfill their duties.

### **Role and Responsibilities of the Loss Control Officer**

The Loss Control Officer has the following key roles and responsibilities:

- Develop, implement and monitor the municipal loss control strategy and plans to proactively prevent losses across all departments. This must include conducting risk assessments to identify vulnerability areas.
- Ensure continuous awareness training and communication around loss control for all municipal officials. This includes issuing regular bulletins and notifications.
- Investigate all reported losses, damages or irregularities as per reporting procedures. This involves inspecting scenes, interviewing witnesses, gathering documentary evidence and determining accountabilities.
- Maintain updated loss registers and case files with all documentation and authorizations relating to losses. Provide relevant files timeously to Legal Services for further processing.
- Identify trends and analyse root causes leading to repeated losses. Provide recommendations on improving systems and security controls.
- Prepare and submit comprehensive loss reports to the Municipal Manager, Chief Financial Officer and Mayoral Committee detailing loss statistics, investigations, disciplinary outcomes and preventative measures.
- Coordinate recovery and write-off processes for losses in terms of legislated procedures and municipal policies, in consultation with relevant Heads of Department, Chief Financial Officer and Legal Services.

The Loss Control Officer may assign appropriate duties to departmental Loss Control Officers designated within municipal departments while retaining responsibility for loss control oversight. He must ensure these departmental LCOs are adequately trained and monitored.

## **5 Reporting Requirements**

The timeous and accurate reporting of losses, damages, and misuse of assets is crucial for investigation, recovery, and prevention efforts. The following reporting requirements and procedures apply:

### **5.1 Timeframes**

- All losses, damages, and suspected irregularities must be reported by the custodial official or any other official who has witnessed the incident to the Head of Department within 24 working hours of detection, excluding weekends and public holidays.
- Heads of Departments must report all qualifying cases to the Loss Control Officer, Asset Management Unit, Internal Audit Unit and the Accounting Officer within 24 working hours.
- For serious or priority cases such as suspected fraud/corruption or major infrastructure damage, immediate telephonic notification followed by written documentation within 12 hours is required.
- Theft, fraud cases motor vehicle accidents should be reported to the South African Police Service (SAPS) within 24 hours.

### **5.2 Reporting Process**

- The official who detects or causes the loss must complete a standard Loss Report Form providing details of the incident. Supporting documents, statements or photographs must be attached.
- The completed loss report must be submitted to the respective Head of Department.
- Heads of Departments must review the Loss Report Form, conduct a preliminary investigation if required, and submit the final Loss Report

Form to the Loss Control Officer, Asset Management Unit, Internal Audit Unit and the Accounting Officer.

- The Accounting Officer must submit a loss control report to Council on a quarterly basis. The report should provide a consolidated overview of loss statistics, analysis of major loss incidents and trends, follow-up status on previously reported cases, preventative actions taken, and other relevant loss control matters.
- The Loss Control Officer must monitor adherence to reporting timeframes. Failure to report will constitute misconduct. Regular communication and training will be conducted to ensure all officials are conversant with requirements.
- An annual loss control report must also be included in the municipality's overall risk management report submitted to Council. This provides a holistic overview of the municipality's risk and loss profile for governance oversight.

### **5.3 Documentation**

- Heads of Departments must maintain a Loss Register recording all reported cases with the status and outcomes. An updated copy must be submitted to the Loss Control Officer monthly.
- All loss reports, investigation documents and authorisations relating to specific cases must be filed together for record purposes with copies provided as required.
- Relevant case numbers from SAPS must be included in loss reports as well as copies of police affidavits and statements.
- The Loss Control Officer is responsible for loss record management and reporting systems across the municipality.

## **6 Recording Losses**

It is critical that all losses, damages, irregularities and risks are properly recorded to enable tracking, investigation and analysis towards improving municipal operations. The following procedures apply:

## **6.1 Loss Registers**

Heads of Departments must maintain a departmental Loss Register to record all reported losses, damages, risks and irregularities. The register must capture key details including the following:

- Date loss/damage detected
- Brief description
- Location
- Asset details
- Estimated loss amount
- Person who identified loss
- Preliminary cause

Updated copies of departmental Loss Registers must be submitted to the Loss Control Officer on a monthly basis.

## **6.2 Central Loss Register**

The Loss Control Officer maintains an umbrella Loss Register that consolidates all recorded municipal losses. This provides an overview of loss trends, frequencies, problem areas and financial impact across the municipality.

The Central Loss Register facilitates detailed reporting and aids targeted interventions towards improved loss control. Copies should be provided quarterly to the Risk Committee and Internal Audit Unit.

## **6.3 Case Files**

For each registered loss event, a corresponding file must be opened comprising evidence such as:

- Original loss reports
- Witness statements
- Photographs
- Details of investigations
- Correspondences
- Any other supporting documents

Finalised case files must be kept in a secure registry system according to the municipality's Records Management Policy. Electronic backups should also be maintained.

## **7 Investigating Losses**

The purpose of investigating losses is to identify the root cause of the loss and to take corrective action to prevent similar losses from occurring in the future. The investigation process should be conducted in a timely and efficient manner to minimise the impact of the loss on the municipality.

### **7.1 Appointing Investigators**

When a loss, damage, misuse or theft of municipal assets is reported, the Head of Department must appoint an appropriate investigator to examine the circumstances and determine accountability. Investigators may be internal municipal officials with relevant expertise or external specialists appointed on a contract basis. The investigators should be independent and impartial and should have no personal interest in the outcome of the investigation. All investigators should have qualifications and experience related to the nature of the loss.

### **7.2 Investigation Process**

The appointed investigator should follow a systematic process to determine the facts related to the loss. This includes:

- Inspecting the scene of the incident
- Interviewing witnesses
- Gathering documentary evidence such as CCTV footage, access logs, inventory records etc.
- Conducting forensic data analysis where required
- Determining the sequence of events leading up to the loss
- Identifying points of control breakdown or policy violations
- Establishing whether employee negligence, misconduct or criminal activity contributed to the loss
- Assessing the adequacy of existing controls and procedures

The findings, recommended remedial actions and recovery measures must be documented in an investigation report submitted to the Head of Department.

The investigation should be conducted in a confidential manner to protect the privacy of the individuals involved. Throughout the investigation, the investigators should ensure that the rights of all individuals involved are respected. All interactions and interviews should be conducted professionally and in accordance with applicable labour laws and regulations.

### **7.3 Legal and Reputational Risk**

The investigation should consider any legal and reputational risks associated with the loss. The investigators should consult with legal counsel to ensure that the investigation is conducted in compliance with all applicable laws and regulations. The investigators should also consider the potential impact of the loss on the municipality's reputation and take appropriate steps to mitigate any negative impact. If the loss investigation reveals breaches of law or circumstances presenting legal liability or reputational risks, the Head of Department must immediately inform the Municipal Manager and consult the Legal Services Department on appropriate mitigation steps.

### **7.4 Remedial Actions**

Once the investigation is complete, the investigators must compile a comprehensive report and submit it to the Loss Control Officer, Chief Financial Officer, Internal Audit Unit, and the Head of Department. The report should include findings, analysis of contributing factors, recommendations for remedial actions to prevent similar losses from occurring in the future, and any potential disciplinary actions or legal proceedings. The recommendations should be practical and feasible. Based on the findings and recommendations of the investigator's report, the Head of Department must take reasonable measures to address control gaps and prevent recurrence of similar losses in future. This may require policy or procedure amendments, additional access controls, training interventions or disciplinary processes.

## **7.5 Recovery Processes**

Where the investigation has identified negligent, deliberate or criminal actions leading to asset losses, the Head of Department must initiate recovery of damages from the responsible parties in accordance with section 32 of the MFMA and the municipality's policies. This serves both a corrective purpose as well as protecting municipal funds.

## **8 Fleet Management**

Fleet management is ensuring the efficient and effective use of vehicles while minimising risks and losses associated with their operation. This section of the Asset Loss Control Policy outlines the procedures and guidelines for the management, maintenance, and control of the municipality's vehicles.

### **8.1 Preventing Vehicle Misuse**

Clear guidelines and procedures must be established to prevent the misuse of municipal vehicles and must be detailed in the Fleet Management Policy. This includes defining authorised usage, outlining restrictions on personal use, and implementing monitoring measures to ensure compliance. The policy shall also address consequences for non-compliance such as disciplinary actions.

### **8.2 Monitoring Fuel Consumption**

To ensure cost-effective fleet operations, the municipality, in line with the Fleet Management Policy, shall implement robust fuel consumption monitoring through measures such as tracking of fuel purchases, and enforcing fuel-efficient driving practices. By closely overseeing fuel usage, anomalies can be identified and addressed to reduce losses.

### **8.3 Preventing Vehicle Accidents**

The municipality shall implement various proactive measures to minimise the occurrence of accidents involving municipal vehicles:

- All municipal vehicle drivers should undergo mandatory driving training and road safety training to equip them with accident prevention skills and safe driving habits. Refresher training shall be conducted periodically.
- Municipal vehicles shall be regularly inspected and maintained in a roadworthy condition as per manufacturer specifications. Pre-trip and post-trip inspections shall also be consistently performed.
- Access to municipal vehicles shall be restricted to authorised, properly licensed drivers only to prevent unauthorised or unqualified usage. Keys and fleet management system credentials shall be adequately secured.
- Root cause analyses shall be undertaken for all accidents to identify control gaps, and appropriate interventions implemented to prevent recurrences. Trends shall be monitored municipality-wide.
- Stringent disciplinary action shall be taken against drivers found flouting municipal safety rules and procedures to emphasise accident prevention.

#### **8.4 Accident Reporting Procedures**

The municipality shall have clear procedures for reporting accidents involving municipal vehicles contained in the Fleet Management Policy. These procedures aim to ensure accidents are promptly reported to facilitate effective claims processing, risk mitigation and prevention of similar incidents.

##### **8.4.1 Accident Notification**

In the event of an accident involving a municipal vehicle, the driver or operator must immediately notify the South African Police Service to obtain a case number, Head of Department, Fleet Manager and Asset Management Unit. The driver or operator shall not admit guilt to any person at the scene of an accident.

##### **8.4.2 Submission of Accident Reports**

The driver/operator must submit a copy of the accident report that was submitted to SAPS to the Head of Department, Fleet Manager and Asset

Management Unit within 24 hours of the accident. The Fleet Manager shall also conduct a post-accident evaluation of the circumstances and root causes.

#### **8.4.3 Recording of Accidents**

All municipal vehicle accidents shall be recorded in a Vehicle Accident Register maintained by the Fleet Manager. Accident statistics shall be regularly reviewed to identify patterns and implement preventative actions.

#### **8.4.4 Disciplinary Action**

Where accidents are caused due to negligence or recklessness, the Head of Department shall institute disciplinary processes against the driver/operator as per the municipality's policies.

### **8.5 Oversight Over Vehicle Usage**

Stringent oversight over vehicle usage is essential to minimise misuse and associated losses. Measures shall include maintenance of accurate vehicle logbooks recording trip details, routine supervisory review of logbooks, and periodic analysis of usage metrics by the Fleet Manager. Any irregularities must be investigated and addressed.

### **8.6 Vehicle Safekeeping**

When not in use, municipal vehicles shall be parked in secure depots with controlled access. Drivers must adhere to after-hours safekeeping procedures for authorised home-taken vehicles, failing which they are liable for any resultant losses or damages.

## **9 Recovery Processes**

The municipality aims to recover losses where possible in order to recoup public funds and hold responsible parties accountable. Recovery processes will be pursued in a reasonable, fair and consistent manner.

## **9.1 Identifying Responsible Parties**

Investigations into losses, damages or theft will seek to identify responsible parties, whether officials, contractors or members of the public. Where negligence, misconduct or criminal actions are uncovered, the relevant parties will be held liable.

## **9.2 Recouping Losses**

The municipality reserves the right to recoup losses in full or in part from responsible parties. This may include:

- Recovering asset repair or replacement costs from negligent employees
- Recovering theft losses from implicated former staff members
- Recovering damages to municipal infrastructure from motorists

Recovery costs should be in line with financial loss suffered and principles of fairness. Extenuating circumstances may be considered on a case-by-case basis.

## **9.3 Legal Recourse**

The municipality may pursue civil litigation to compel repayment if individuals fail to honour obligations. The prospects of successful legal recourse and potential costs will be evaluated case-by-case.

# **10 Loss Prevention Measures**

The municipality aims to proactively prevent and minimise losses through various controls and measures. These include:

## **10.1 Physical Security Controls**

Physical security controls restrict physical access to municipal buildings, sites, assets and infrastructure to prevent theft, vandalism and other losses. This includes perimeter fencing, locks, alarm systems, guard patrols, CCTV systems, secured storage facilities and anti-theft devices on vehicles. Physical barriers

and deterrents make unauthorised access difficult and increase the likelihood of detection.

### **10.2 Access Controls**

Access controls regulate, restrict and monitor access to municipal sites, buildings, systems and information based on authority levels. This includes ID cards, biometrics, passwords, sign-in procedures and limitations on entry to restricted areas. Strict access controls prevent unauthorised parties from reaching assets.

### **10.3 Segregation of Duties**

Segregation of duties entails separating roles, authorisation levels and access to systems and information. No single individual should have end-to-end responsibility over processes or assets. Appropriately segregating procurement, payment, reconciliation and oversight duties mitigates the risk of misappropriation of funds and assets.

## **11 Policy Administration**

To ensure relevance, this policy shall be reviewed on an annual basis. Input shall be solicited from Heads of Departments and Internal Audit regarding implementation challenges and recommendations for improvement.

Approval authority resides with the Council. Any amendments to the policy must follow the standard procedure of review prior to submission to the Council for adoption.

A comprehensive policy review may be initiated earlier should there be material changes to the external regulatory environment, audit findings, risk profile or implementation feedback that warrants realignment of policy provisions.

## **COUNCIL APPROVAL AND EFFECTIVE DATE**

Approval of Policy by Council and Effective date: -----

MUNICIPAL  
DATE.....

MANAGER