

**BEGROTINGSVERWANTE VERORDENINGE EN BELEIDE**  
**BUDGET RELATED BY-LAWS AND POLICIES**  
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# SWARTLAND MUNICIPALITY

## TARIFF POLICY

### REVIEWED AND AMENDED

**MARCH 2021**

**For the 2021-2022 Financial Year**

#### **PREAMBLE**

In terms of section 74 of the Local Government: Municipal Systems Act, of 2000, the Municipality of Swartland must adopt and implement a Tariff Policy that complies with the provisions of any applicable legislation on the levying of fees for municipal services provided by or on its behalf.

Section 75 of the Systems Act requires that the Council adopt by-laws to give effect to the implementation and enforcement of its Tariff Policy.

#### **DEFINITIONS**

“Availability charges” shall mean charges that may be levied against immovable property with or without improvements, which is not connected to any municipal service works where such property can be reasonably so connected or having access to the service;

“Average consumption” means the average consumption by a customer of a municipal service and may be calculated on the basis of the average usage over the 3(three) months preceding the period in question;

#### **“Consumer” –**

- (a) with effect from 1 July 2015 and with regard to property zoned for residential purposes, the owner of the property shall be regarded as the consumer, irrespective of who the tenant or occupier is, provided that where a lease agreement in respect of such property exists on 1 July 2015, the tenant or occupier shall still be regarded as the consumer until expiration of the agreement, subject to the provisions of the definition clauses in section 1 of “occupier” and “owner” of the policy;
- (b) with regard to any other property, the person who receives or uses municipal services or benefits there from; and
- (c) with regard to municipal property that is leased, the person who receives or uses municipal services or benefits there from;

“Dwelling” the portion of a building or structure on a property, where a household lives as a permanent resident, with authorized separate municipal services connections;

“Domestic consumer” refer to all persons older than 18 years that resides within a dwelling on a property within the jurisdiction of the Council regardless whether the person rents or owns the property which shall include an indigent household;

“Indigent household” means a household, including a child-headed household, registered as such with the Municipality lacking the necessities of life and which – complies with the qualification requirements as referred to in paragraph 2 of the Indigent Policy and the excepted criteria for audits and in loco inspections as referred to in paragraph 3 of the Indigent Policy; and who occupies property within the boundaries of jurisdiction of the municipality;

“Interest” means a charge levied, on all arrear accounts calculated at an interest rate which is one percent higher than the prime interest rate;

**“Municipal area”** means the area in respect of which the Municipality has executive and legislative authority as determined by the Constitution and national legislation and the area as demarcated by the Demarcation 1998 (Act no. 27 of 1998);

**“Municipal council”** means the council of Swartland Municipality;

**“Municipality”** means Swartland municipality and includes any delegated official or service provider of the municipality;

**“Network charges”** shall mean charges that may be levied against immovable property with or without improvements, which is connected to any municipal service works or where such a property can be reasonably so connected has reasonable access to municipal services;

**“Occupier”** shall mean any person who occupies or has control over any premises;

**“Owner”** in relation to immovable property means –

- (a) the person in whom is vested the legal title thereto provided that –
  - (i) the lease of immovable property which is leased for a period of not less than fifty years, whether lease is registered or not, shall be deemed to be owner thereof, and
  - (ii) the occupier of immovable property occupied in terms of a service or right analogous thereto shall be deemed the owner thereof;
- (b) if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be;
- (c) if the owner is absent from the Republic or if his or her address is unknown to the municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property; or
- (d) if the municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;
- (e) if the owner is deceased and the family or a member on behalf of the family issues an affidavit that the occupier are the legal benefice of the estate;

**“Property”** shall mean –

- (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;

**“Tariff Policy”** means a Tariff Policy on the levying of fees, rates or taxes for municipal services provided by the Municipality itself and that complies with the Municipal Systems Act, (Act no. 32 of 2000); and

**“The Act”** means the Municipal Systems Act, (Act no. 32 of 2000);

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### 1. Objectives of policy

The objectives of this policy are –

- (a) To comply with the provisions of section 74 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); and
- (b) To give guidance to the councilor responsible for finance regarding tariff proposals to be submitted to council annually during the budget process.

### 2. Tariff principles

The following principles shall apply –

- (a) restricted free services to consumers and financial assistance to indigent households shall be considered only in as far as it can be financed from –
  - (i) financial allocations by the National Government; and
  - (ii) a grant for that purpose by the municipality, which shall be determined annually during the budget process.
- (b) all consumers of municipal services must be treated equitably and the various categories of consumers must pay the same charges based on the same cost structure;
- (c) the amount payable by consumers must be in proportion to usage of the service;
- (d) indigent households must at least have access to basic services through lifeline tariffs or direct subsidisation;
- (e) tariffs must reflect the total cost of services unless stated otherwise in this policy document;
- (f) where provided for in this policy, consumers may choose a tariff from a range of applicable tariffs;
- (g) tariffs must be set at a level that facilitates the sustainability of services by ensuring that –
  - (i) cash inflows cover cash outflows which mean that sufficient provision for working capital and bad debts must be made; and
  - (ii) access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profit on trading services.

- (h) provision shall be made in appropriate circumstances for a surcharge on a tariff which will apply when a restriction of use is required which may include national disasters and periods of droughts;
- (i) efficient and effective use of resources shall be encouraged by providing for penalties to prohibit exorbitant use;
- (j) the extent of subsidisation of tariffs shall be disclosed;
- (k) VAT is excluded from all tariffs and shall be additional to these tariffs when applicable.

### 3. Categories of consumers

- (1) The tariff structure may provide for the following categories of consumers-
  - (a) domestic consumers;
  - (b) commercial consumers;
  - (c) industrial consumers;
  - (d) agricultural consumers;
  - (e) municipalities;
  - (f) consumers with whom special agreements were made;
  - (g) consumers in certain geographical areas;
  - (h) sport and recreation facilities;
  - (i) educational and communal institutions; and
  - (j) charitable and welfare institutions and organizations.
  - (k) Government.
- (2) The municipality may differentiate between different categories of consumers, debtors, service providers, services, service standards and other matters.
- (3) The differentiation shall be based on one or more of the following elements –
  - (a) infrastructure costs;
  - (b) volume usage; or
  - (c) availability or network charges and service standards.

### 4. Service classification

The municipality may, subject to the guidelines provided by the National Treasury and the Mayoral Committee, make provision for the following classification of services:

- (a) **trading services**
  - (i) water
  - (ii) electricity
  - (iii) camping facilities
- (b) **economic services**
  - (i) refuse removal
  - (ii) sewerage disposal
- (c) **community services**
  - (i) air pollution
  - (ii) firefighting services
  - (iii) local tourism
  - (iv) town planning
  - (v) municipal public works
  - (vi) storm water management system in built-up areas
  - (vii) trading regulations

- (viii) fixed billboards and the display of advertisements in public places
- (ix) cemeteries
- (x) control of public nuisances
- (xi) control of undertakings that sell liquor to the public
- (xii) facilities for accommodation, care and burial of animals
- (xiii) fencing and fences
- (xiv) licensing and control of undertakings that sell food to the public
- (xv) local amenities
- (xvi) local sport facilities
- (xvii) municipal parks and recreation
- (xviii) municipal roads
- (xix) noise pollution
- (xx) pounds
- (xxi) public places
- (xxii) street trading/street lighting
- (xxiii) traffic and parking
- (xxiv) building control
- (xxv) licensing of motor vehicles and transport permits
- (xxvi) nature reserves

### 5. Expenditure classification

Expenditure may be classified as:

- (a) Subjective classification which includes –
  - (i) salaries, wages and allowances
  - (ii) bulk purchases
  - (iii) general expenditure
  - (iv) repairs and maintenance
  - (v) capital charges (interest and redemption) / depreciation
  - (vi) contribution to fixed assets
  - (vii) contribution to funds –
    - (aa) bad debts;
    - (bb) working capital; and
    - (cc) statutory funds
  - (viii) contribution to reserves
  - (ix) gross expenditure
  - (x) less charge-out
  - (xi) net expenditure
  - (xii) income; and
  - (xiii) surplus/deficit

This classification of expenditure each with a unique vote must be applied to all cost centres.

- (b) Objective classification in terms of which the following cost centres must be created to which the costs associated with providing the service can be allocated –
  - (i) department
  - (ii) section/service
  - (iii) division/service

### 6. Cost elements

The following cost elements may be used to calculate the tariffs for the different services –

- (a) fixed costs which consist of the capital costs (interest and redemption) on external loans as well as internal advances or depreciation whichever are applicable to the service, and any other costs of a permanent nature as determined by the municipality;
- (b) variable cost which includes all other variable costs that have reference to the service; and
- (c) total cost which consists of the fixed cost and variable cost;
- (d) a cost recovery tariff; or
- (e) a combination of any of abovementioned tariffs.

## 7. Tariff types

In determining the type of tariff applicable to the type of service the municipality may make use of the following five options or a combination thereof –

- (a) a single tariff which shall consist of a cost per unit consumed and which will be recovered through unit charges at the level where income and expenditure breaks even. Subject to a recommendation by the Director: Financial Services the municipality may approve profits on trading services which will be added to cost of the service for the purpose of calculating the tariffs.
- (b) cost related two-to-three-part tariff which shall consist of two to three parts –
  - (i) management, capital, maintenance and operating costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers;
  - (ii) variable costs may be recovered by a unit charge per unit consumed; and
  - (iii) three part tariffs may be used to calculate the tariff for electricity and to provide for maximum demand and usage during periods of limited demand.
- (c) inclining block tariff which is based on consumption levels being categorised into blocks, with the tariff increasing as consumption levels increase. The first step in the tariffs will be calculated at break-even point and subsequent steps will be calculated to yield a result that would discourage excessive use of the commodity.
- (d) declining block tariff which is the opposite of the inclining block tariff and decreases as consumption levels increase. The first step will be calculated by dividing the fixed and variable cost and profit by the volume consumed and will only be used for special agreements;
- (e) a cost recovery tariff; or
- (f) a regulating tariff which is of a regulatory nature and the municipality may recover the full cost or a portion thereof associated with rendering the service.

## 8. Tariff structure and methods of calculations

The following tariff structure shall be applied to determine tariffs –

### (1) Water

- (a) Tariff structure-
  - (i) fixed tariff per consumer plus a single tariff per unit used (kiloliters used);
  - (ii) single tariff per consumer; or

- (iii) a cost recovery tariff;

### (b) Method of calculation-

- (i) the fixed costs of the service shall consist of the costs indicated as such by the municipality;
- (ii) the number of consumers shall be used to determine the fixed costs per consumer;
- (iii) where a fixed cost per consumer is charged, the unit charge shall be calculated by dividing the variable cost by the volume consumed;
- (iv) where a fixed cost per consumer is not charged, the unit charge shall be calculated by dividing the total cost by volume consumed;
- (v) if for any reason a meter cannot be read or has not been read, the municipality shall be entitled to render an account based on the estimated consumption calculated on the last known 3 months' average consumption preceding the date on which the meter was last read;
- (vi) where a property is not connected to the water reticulation system but can reasonably be so connected, an availability charge as determined annually by Council shall be applicable;
- (vii) surpluses made on the service shall be added to the fixed and variable cost before tariffs are calculated.

### (2) Electricity

#### (a) Tariff structure –

- (i) kWh – Active Energy;
- (ii) kVA – maximum demand (thermic or block) register in a half an hour period;
- (iii) kVAh – Reactive Energy;
- (iv) peak, standard and off-peak time periods – according to bulk purchase tariff structure;
- (v) high and low consumption seasons – according to bulk purchase tariff structure;
- (vi) allocation of holiday season – according to bulk purchase tariff structure;

#### (b) Method of calculation –

- (i) the guidelines and policy issued by the National Electricity Regulator shall form the basis for calculating tariffs;
- (ii) cross subsidisation between and within categories of consumers may be allowed based on the load factors of the categories and consumers within the category;
- (iii) portions of the fixed costs will be recovered through an energy or time-of-use charge.
- (iv) in applying the abovementioned principle, the cost allocation basis, cost groupings, tariff components and tariff types reflected in the following tables shall be used-

Tariff types	Fixed charge Rands/ consumer/ Month	Active Energy charge cents / kWh	Seasonally Time-of-use Energy charge Peak Standard Off-peak	Capacity- charge Rands / kVA / month	Reactive energy charge cents / kWh
One part		X			
One part block 1		X			
Block block 2		X			
Two part	X	X			
Two part Block	X				
Block 1		X			X
Block 2		X			X
Block 3		X			X
Block 4		X			X
Three part	X	X		X	
Three part time-of-use	X				X
Peak			X		
High season Standard			X		
Off-peak			X		
Peak			X		
Low season Standard			X		
Off-peak			X		
Four part time-of-use	X			X	X
Peak			X		
High season Standard			X		
Off-peak			X		
Peak			X		
Low season Standard			X		
Off-peak			X		
Three part Net-Metering	X				
Import		X			
Export		X			

## (aa) The one-part single energy rate tariff –

All costs allocated to a consumer category which normally makes use of a one-part single energy rate tariff shall be expressed in a single cents/kWh charge, calculated as follows –

- (i) the maximum demand costs (rands/kVA/month) of all consumers that will normally use a single tariff will be calculated by considering the average load factor applicable to the type of consumers and added to the variable cost;

- (ii) the fixed cost (rand per consumer per month) and the energy cost (kWh) shall be added to the variable cost;
- (iii) the total cost (maximum demand, fixed and energy costs) allocated to consumers which normally uses a one-part-single-energy tariff shall be calculated at a break-even point comparable with the number of kWh units determined by Eskom;
- (iv) the total cost will be expressed in a cents/kWh tariff.

## (bb) The two-part tariff –

- (i) a portion of the fixed cost equal to the operating and administrative cost of the Electricity Department shall be recovered through a rands per consumer per month charge;
- (ii) the remaining portion of the fixed cost will be added to the variable cost and recovered through a unit charge (cent/kWh charge);
- (iii) the tariff consists of a fixed monthly charge plus a variable charge related to metered kWh consumption.

## (cc) The three-part tariff –

- (i) a portion of the fixed cost as described in sub paragraph (2)(bb)(i) shall be recovered through a rand/consumer/month charge;
- (ii) the remaining portion of the fixed cost shall be recovered through a unit charge (cent/kWh) and maximum demand charge (rand/kVA/month);
- (iii) the maximum demand charge (rand/kVA cost) shall be recovered through the capacity charge where applicable;
- (iv) the cent/kWh charges shall recover the total variable cost plus portions of re-allocated fixed and demand charges (rand/consumer/month and rand/kVA costs) where applicable.

## (dd) Time-of-use tariff –

- (i) time-of-use tariffs offered shall be based on the peak, standard and off-peak tariffs and time periods of the supply authority to maintain cost recovery in the event of load profile shifting. Transmission and distribution network charges may be recovered through rand/kVA charges;
- (ii) the cents/kWh charge recovers the full variable costs as well as a portion of the reallocated rands/kVA charges where applicable;
- (iii) the rands per consumer per month charge is not reallocated;
- (iv) the structure of the time-of-use tariff will be calculated according to the purchase structure;
- (v) the time-of-use tariff will only be offered in areas where similar tariffs are available to the municipality;
- (vi) where a profit is made on the service it will be added to the fixed and variable cost before tariffs are calculated.



- (vii) where a property is not connected to the electricity reticulation system but can reasonably be so connected, an availability charge equal to the fixed costs calculated in accordance with the provisions of sub paragraph (2)(b) shall be payable.
- (ee) Net metering –
  - (i) net-metering import tariff (energy supplied to the consumer) cent/kWh charges shall be based on the average cost of supply including a portion of operating cost, surplus and purchase cost allowing for time-of-use tariff variations;
  - (ii) net-metering export tariff (energy supplied by the consumer) cent/kWh charges shall not exceed the average cost of purchase allowing for time of use tariffs applicable during the time period of supply;
  - (iii) a portion of the fixed cost equal to the operating and administrative cost of the Electricity Department shall be recovered through a rands/consumer/month charge.
- (3) Waste removal
  - (a) Unit of measurement-
    - (i) number of premises whether built on or not, is a basic unit;
    - (ii) bulk waste removal;
    - (iii) cost recovery tariff
    - (iv) special waste;
    - (v) gate levies/coupons
  - (b) Method of calculation –
    - (i) a cost recovery tariff equal to the unit tariff applicable to domestic consumers shall be levied on each premises whether built upon or not;
    - (ii) a unit tariff per premise, whether residential or other institution, shall be levied which will be calculated by dividing the total cost by the total number of premises;
    - (iii) where more than one dwelling unit, as defined in the municipality's scheme regulations, are situated on premises (such as semi-detached units or blocks of flats), each such dwelling unit shall be regarded as separate premises for the purposes of this paragraph;
    - (iv) for each business on premises a compulsory waste removal tariff shall be charged that will be adjusted according to volume of waste removed. The waste unit for business is two plastic bags or two 85 litre waste bins or a 240 litre wheely bin per week. For residential premises it is unlimited.
    - (v) a waste tariff equal to the unit tariff levied in terms of sub paragraph (b)(ii) & (iv) in respect of the removal of waste on premises situated within the urban fringe areas of the towns of Malmesbury, Moorreesburg, Riebeek-Wes, Riebeek-Kasteel, Darling, Yzerfontein, Abbotsdale, Kalbaskraal, Chatsworth, Riverlands and Koringberg and Ongegund shall be applicable to waste removal once a week per premises.

- (vi) with regard to premises situated outside the above mentioned urban fringe areas, or the occasional removal of refuse, a tariff based on a levy per load or part thereof shall be levied;
- (vii) the tariff for special waste shall be levied by adding the cost of air space occupied, measured in tons, to the actual cost to treat and cover such waste;
- (viii) the coupon prices for waste delivered personally at waste sites, shall be determined according to vehicle capacity, the air space occupied as well as the cost to cover such waste daily;
- (ix) waste tariffs shall be levied monthly.
- (c) Where a waste removal service is available, whether such service is used or not, an availability tariff equal to the monthly tariff applicable to residential and business premises shall be levied
- (4) Sanitation:
  - (a) a Two –part tariff consisting of a network charge/basic fee and a unit of measurement –
    - (i) number of toilets;
    - (ii) formula based water flow tariff; or
    - (iii) a cost recovery tariff and
    - (iv) a network charge
  - (b) Method of calculation –
    - (i) a ~~availability~~ network charge may be levied at an amount determined each year to all vacant erven, ~~this includes all erven, even where there is no flush sewer system available, this applies to erven with access to the vacuum tanker service as well as erven with access to the water borne sewer system;~~
    - (ii) a network charge and a monthly treatment cost ~~per consumer~~ may be charged to those erven from where a sewerage flow is discharged to a municipal waste water treatment works through the water borne sewerage system or where a sewerage flow is discharged to a sewerage tank of which the contents is removed by the vacuum tanker service and discharged at a municipal waste water treatment works;
    - (iii) where more than one dwelling unit, as defined in the municipality's zoning scheme regulations, is situated on premises (such as a semi-detached dwelling or a block of flats etc.), each such a dwelling unit shall for the purpose of this paragraph, be considered to be separate premises;
    - (iv) a surcharge of 15% shall be levied for each additional toilet in respect of consumers mentioned in paragraphs 3(1)(b) to 3(1)(k)
    - (v) the tariff payable for the removal of the contents of a conservancy tank shall be equal to the unit tariff levied in terms of sub paragraph ~~4(b)(i)~~ 4(b)(ii) in respect of conservancy tanks in use on premises situated within the jurisdictional area of the municipality; where a third ~~suction~~ removal is done in the same month, such ~~suction~~ removal shall be done at actual cost.
    - (vi) a tariff, based on a charge per load to be removed, may be levied for the emptying of conservancy tanks on premises situated outside the

- urban fringe areas or for the occasional removal of the contents of a septic tank on such premises;
- (vii) charges payable in terms of sub paragraph (vi) must be levied by the Incident program monthly;
- (viii) where requests by any consumer to whom a waste removal service is received by Emergency Services after ordinary office hours, the actual cost shall be levied by the Incident program;
- (ix) industries classified as wet industries (water intensive industries) shall pay a treatment cost based on the following formula in addition to a tariff per cistern:  

$$B = 0,85 V[R \times \text{COD}] / 1000$$

$$B = \text{Treatment cost}$$

$$V = \text{Volume of water used in kiloliter}$$

$$R = \text{Cost of treating of 1 Kilogram COD in R/kilogram COD}$$

$$\text{COD} = \text{Chemical oxygen demand in milligram per litre}$$
- (x) industries classified as wet industries and equipped with a flow measurement device to record the effluent volume, the following shall apply:  

$$B = V[R \times \text{COD}] / 1000$$

$$B = \text{Treatment cost}$$

$$V = \text{Volume of effluent in kiloliter}$$

$$R = \text{Cost of treating of 1 Kilogram COD in R/kilogram COD}$$

$$\text{COD} = \text{Chemical oxygen demand in milligram per litre}$$
- (xi) sewerage tariffs shall be levied monthly.

- (c) Where property is not connected to any water bearing sanitation system or a sanitation pumping system, but can reasonably be so connected, a monthly network charge or an availability charge, whichever is applicable, shall be levied which may include all erven, even where there is no flush sewer system available

Property making use of the sewerage pumping service as qualified in the tariff listing will only be billed the fixed sewerage tariff **for those months the pumping service is used.**

- (d) The status quo is maintained with **respect to the 425 plots erven** in Yzerfontein **having with** seepage sewer tanks, no levy is made for availability. **The service for these erven will be charged in accordance with the tariffs approved on an annual basis from the first occasion the pumping service is used by an erf and will continue to be applied with respect to that specific erf.**

~~If an erf with a seepage sewer referred to in 3 does use the sewer pump service on one occasion, the same dispensation as mentioned in (b)(i) will in future be applied in respect of that erf.~~

- (5) Community services
- (a) Tariff structure –
- (i) the tariff structure as reflected in table 1 below shall be used to determine regulatory community and subsidised services.
- (b) Method of calculation –
- (i) these tariffs may be adjusted annually by a percentage as determined by the council during its budget process, or by a recalculation of the estimated actual cost.

Table 1

FUNCTION	UNIT OF RETURN
<b>1. SUNDRY SERVICE CHARGES</b>	
1.1 Information regarding valuation of properties.	• Fixed amount per enquiry per property.
1.2 Issuing of Valuation certificate of a property.	• Fixed amount per certificate.
1.3 Issuing of Clearance valuation certificate of a property.	• Fixed amount per certificate.
1.4 Issuing of second duplicate account / Payslip or IRP 5's	• Fixed amount per duplicate account / Payslip or IRP 5's.
1.5 Photocopying: A4 size A3 size	• Fixed amount per black/white or coloured photocopy.
1.6 Copies of building plans and area maps.	• Fixed amount per black/white or coloured copy.
1.7 Dishonouring charges payable when bank dishonours a cheque and debit order per ACB system.	• Amount equal to the costs levied by the bank plus 15% admin cost.
1.8 Collection of bank information – regarding unidentified direct bank/Internet payments in municipal bank account.	• Amount equal to the costs levied by the bank plus 15% admin cost.
1.9 Fax: Received and/or send.	• Fixed amount per fax.
1.10 Cleaning of erven	• Actual cost, plus 15% Admin cost.
1.11 Application for open burning	• No cost – <b>Council Resolution</b>
1.12 Application for pesticide spraying	• No cost – <b>Council Resolution</b>
<b>2. LETTING OF TOWN HALLS AND COMMUNITY HALLS</b>	
2.1 Hall reservations, taking into account various uses thereof.	• Fixed amount per reservation.
2.2 Hall reservations, including kitchen by standing users.	• Fixed amount per annum.
2.3 Use of side halls additional to main hall.	• Fixed amount per reservation.
2.4 Use of kitchen in addition to main hall or side hall.	• Fixed amount per reservation.
2.5 Use of refreshment room in addition to main hall or side hall.	• Fixed amount per reservation.
2.6 Use of facilities one day prior to date of reservation.	• Fixed amount per reservation.
2.7 Deposit payable for the use of the hall and facilities.	• Fixed amount per reservation.
2.8 Use of Sound System at town and community halls.	• Fixed amount per reservation.
2.9 Nominal Tariff for day and evening reservations	• Fixed amount per reservation.

FUNCTION	UNIT OF RETURN
2.10 Exceeding of prescribed hours. 2.11 Fees in respect of caretaker – functions on Sundays. 2.12 Use of grand piano. 2.13 Cancellation of hall reservation.	<ul style="list-style-type: none"> <li>Fixed amount per reservation at the discretion of the Director Corporate Services</li> <li>Fixed tariff per hour or portion of an hour.</li> <li>Fixed amount per function on Sundays, excluding church- /burial services (only Malmesbury and Wesbank halls).</li> <li>Fixed amount per reservation.</li> <li>10% of the rental payable to cover administration costs, shall be recovered from the deposit paid.</li> </ul>
<b>3. LIBRARY FEES</b> 3.1 Fine for the late return of books. 3.2 Fine for late return of a CD or DVD 3.3 Lost library lender card. 3.4 Booking of library material- <ul style="list-style-type: none"> <li>material in stock</li> <li>material not in stock</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount per week or portion of a week per item.</li> <li>Fixed amount per day or portion of a day per CD or DVD .</li> <li>Fixed amount per card.</li> <li>Fixed amount per booking.</li> <li>Fixed amount per booking.</li> </ul>
<b>4. ELECTRICAL SERVICE CONNECTION</b> 4.1 Service connections up to 30 metres 10 mm <sup>2</sup> x 2 core with standard credit meter. 4.2 Additional cable per meter – maximum 50 ampère (household). 4.3 Service connections more than 30 metres 16 mm <sup>2</sup> x 2 core with standard credit meter. 4.4 Additional cable per metre – maximum 60 ampère (household) and 80 ampère (business). 4.5 Service connections up to 30 metres 16 mm <sup>2</sup> x 4 core with standard credit meter.	<ul style="list-style-type: none"> <li>Fixed amount per 30 metre.</li> <li>Estimated cost based on a 30 metre connection plus a % levy for administrative costs.</li> <li>Fixed amount per metre</li> <li>Fixed amount per 30 metre</li> <li>Estimated cost based on a 30 metre connection plus a % levy for administrative costs.</li> <li>Fixed amount per metre</li> <li>Fixed amount per metre</li> <li>Estimated actual cost based on a 30 metre connection plus a % levy for administrative costs.</li> </ul>

FUNCTION	UNIT OF RETURN
4.6 Additional cable per meter – maximum 3 x 40 ampère household and 3 x 80 ampère business 4.7 Erven with installed service connections. 4.8 Single Relay – in areas where the geyser load management system is implemented, the applicant is responsible to install a load management relay for the control of the geyser. 4.9 Double Relay - in areas where the geyser load management system is implemented, the applicant is responsible to install a load management relay for the control of the geyser 4.10 Repair of cable and additional joint. 4.11 Damages to any electrical connections and reticulation – costs to be recovered. 4.12 Additional levy i.r.o tampering of - In the case where tampering to electrical equipment caused an incorrect electricity usage registered through the meter, an additional levy for the upgrading of a connection will be payable by the registered consumer before reconnection. I.r.o. indigent households, the consumers will pay this additional levy before the service will be restored. 4.13 Tampering Fees: In the case of tampering with electricity meters or where a consumer restored his or her own meter by breaking a seal, a tampering fee per meter is payable by the registered consumer before reconnection.	<ul style="list-style-type: none"> <li>Fixed amount per metre</li> <li>Fixed amount per connection.</li> <li>Fixed amount per single relay</li> <li>Fixed amount per double relay</li> <li>Fixed amount per cable joint</li> <li>Actual cost as per quote, plus % administration cost.</li> <li>Fixed amount</li> <li>Fixed amount</li> </ul>
<b>5. SALE OF PREPAID ELECTRICAL METERS</b> 5.1 Pre-paid Single phase meter (programming included) – to service connection kWh maximum 100amp. 5.2 Pre-paid Three phase meter (programming included) to service connection kWh maximum 100amp. 5.3 Pre-paid 1-phase split meter (programming included). 5.4 Pre-paid 3-phase split meter (programming included). <b>6. SUNDRY SERVICES: ELECTRICITY DEPARTMENT</b>	<ul style="list-style-type: none"> <li>Fixed amount per application</li> <li>Actual purchase price plus % levy of administrative costs</li> <li>Fixed amount per application</li> <li>Actual purchase price plus % levy of administrative costs</li> <li>Amount based on quotation</li> <li>Amount based on quotation</li> </ul>

FUNCTION	UNIT OF RETURN
6.1 Call-out fee payable for private queries and problems (municipal electrical supply or connections not included) <ul style="list-style-type: none"> <li>• Office hours</li> <li>• After hours and Saturdays</li> <li>• Public holidays and Sundays</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed amount per call</li> </ul>
6.2 Application by consumers for circuit breakers with a higher or lower rating per phase	<ul style="list-style-type: none"> <li>• Fixed amount per call</li> </ul>
6.3 Services connections- connection for residential and business	<ul style="list-style-type: none"> <li>• Fixed amount per connection</li> </ul>
6.4 Testing of credit meter on request of consumer for accuracy: Single phase, three phase and maximum demand	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
6.5 Additions to service connections kWh maximum 100amp to- <ul style="list-style-type: none"> <li>• Single phase credit meter with circuit breaker</li> <li>• Three phase credit meter with circuit breaker</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
<b>7. ELECTRICITY DEPOSIT</b>	
7.1 Electricity deposit included in consumer services deposit (water, electricity, refuse removal and sewage).	<ul style="list-style-type: none"> <li>• Fixed amount per consumer</li> </ul>
7.2 Business – new consumers	<ul style="list-style-type: none"> <li>• Double the amount of the average of the municipal account for three consecutive months' i.r.o. electricity, water, sewerage and refuse removal.</li> <li>• The deposit for newly erected buildings will be based on an estimate of the expected charges i.r.o. the mentioned services.</li> </ul>
<b>8. WATER SERVICES CONNECTIONS</b>	
8.1 15 mm connection – low cost housing	<ul style="list-style-type: none"> <li>• Cost will be determined as per contract</li> </ul>
8.2 15 mm connection – other connections	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> </ul>
8.3 22 mm connection	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> </ul>
8.4 Connections 22 mm private development	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> </ul>
8.5 Testing of water meters	

FUNCTION	UNIT OF RETURN
8.6 Damages to water connections and reticulation – costs to be recovered	<ul style="list-style-type: none"> <li>• Amount - Refundable if result is faulty</li> </ul>
8.7 Tampering fee: In the case of tampering with water meter installations or where a consumer restored his or her own meter by breaking a seal, a tampering fee per meter is payable by the registered consumer before re-connection.	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> <li>• Fixed Amount</li> </ul>
8.8 Any network repairs by Swartland Municipality on a private property will be recovered from the registered consumer.	<ul style="list-style-type: none"> <li>• Estimated actual cost per quote + % levy for administration,</li> </ul>
<b>9. SERVICES DEPOSIT</b>	
9.1 Deposit for residential consumer services (water, electricity, refuse removal, sewage), excluding indigents.	<ul style="list-style-type: none"> <li>• Fixed amount per consumer</li> </ul>
9.2 Deposit for residential and business services with a prepaid electricity meter, excluding indigents.	<ul style="list-style-type: none"> <li>• Fixed amount per consumer.</li> </ul>
9.3 Deposit for Business (conventional electricity services)	<ul style="list-style-type: none"> <li>• Must be determined by demand.</li> </ul>
9.4 Increased services deposits regarding arrears and no payment of accounts – excluding indigents.	Must be determined on a case by case basis based on defaulting consumer up to a maximum of 2.5 x the average monthly consumption over a period of 12 months.
9.5 Deposit - Letting of a municipal stand pipe.	<ul style="list-style-type: none"> <li>• Fixed amount per letting</li> </ul>
<b>10. SANITATION SERVICE CONNECTIONS</b>	
10.1 100mm Sewerage connections - PVC	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> </ul>
10.2 150 mm Sewerage connections - PVC	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> </ul>
10.3 Damages to sanitation connections and reticulation – costs to be recovered.	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administrative costs.</li> </ul>
10.4 Any private repairs to sanitation equipment (e.g. Toilet bowl etc.) by Swartland Municipality – costs to be recovered.	<ul style="list-style-type: none"> <li>• Estimated actual cost plus % levy for administration costs.</li> </ul>
<b>11. SUNDRY SERVICES SANITATION</b>	

FUNCTION	UNIT OF RETURN
11.1 Emptying of sewerage tanks from Monday to Thursday from 08:00 to 17:00 and Friday from 08:00 to 15:45 including <u>Grotto Bay and Jakkalsfontein</u>	<ul style="list-style-type: none"> <li>Fixed sanitation levy for 2 pumpings per month is applicable to residential or business premises excluding premises where french drains exist.</li> <li>For each pumping thereafter (from 3<sup>rd</sup> pumping) – Actual cost per suction pm.</li> </ul>
11.2 Emptying of sewerage tanks during Easter weekend and school holidays.	<ul style="list-style-type: none"> <li>Fixed sanitation levy for two pumpings per month.</li> <li>For each pumping thereafter (from 3<sup>rd</sup> pumping) – Actual cost per suction pm.</li> </ul>
11.3 Emptying of sewerage tanks (rural and non-urban areas, <b>excluding Grotto Bay and Jakkalsfontein</b> )	<ul style="list-style-type: none"> <li>Actual cost per suction.</li> </ul>
11.4 Emptying of sewerage tanks <b>after ordinary office hours:</b> Monday – Thursday from 17h00 Friday from 15h45 to Monday morning at 08:00.	<ul style="list-style-type: none"> <li>Actual cost per suction.</li> </ul>
<del>11.5 Partial connections (pumping).</del>	<del>• Fixed cost per suction divided by two.</del>
11.6 Industrial effluent per kl (COD)	<ul style="list-style-type: none"> <li>Estimated actual cost plus % levy for administrative costs.</li> </ul>
11.7 Selling of treated waste water – all consumers, excluding Rooiheuvel JV treated waste water.	<ul style="list-style-type: none"> <li>As per agreement according the following components - depreciation rate per kilolitre, operating cost per kilolitre and energy cost per kilolitre as determined by the municipality annually.</li> </ul>
11.8 Selling of treated waste water – Only for Rooiheuvel JV – they are responsible for the maintenance, repair and replacement of assets as well as for the operating cost – contract conditions.	<ul style="list-style-type: none"> <li>Fixed amount as determined by the municipality annually.</li> </ul>
11.9 Sewerage blockages.	<ul style="list-style-type: none"> <li>Estimated actual cost plus % levy for administrative costs.</li> </ul>
11.10 Sewerage blockages according Municipal flats: 96 and 56	<ul style="list-style-type: none"> <li>Free of charge.</li> </ul>
11.11 Sewerage blockages (after hours) and Public holidays: Monday – Thursday from 17:00 Friday from 15:45 to Monday morning at 08:00.	<ul style="list-style-type: none"> <li>Estimated actual cost plus % levy for administrative costs.</li> </ul>

FUNCTION	UNIT OF RETURN
12. <b>SANITATION DEPOSIT</b> 12.1 Deposit included in consumer services deposit (water, electricity, refuse removal, sewage).	<ul style="list-style-type: none"> <li>Fixed amount per consumer.</li> </ul>
13. <b>SUNDRY ENGINEERING SERVICES</b>  13.1 Construction of single motor vehicle entrance – 3m <sup>2</sup> . 13.2 Construction of double motor vehicle entrance – 6m <sup>2</sup> . 13.3 Construction of motor vehicle entrance with storm water grid. 13.4 Tarring and patch work.	<ul style="list-style-type: none"> <li>Estimated actual cost plus % levy for administrative costs.</li> <li>Estimated actual cost plus % levy for administrative costs.</li> <li>Estimated actual cost plus % levy for administrative costs.</li> <li>Estimated actual cost per m<sup>2</sup> plus % levy for administrative costs.</li> </ul>
14. <b>CEMETERY FEES</b> <ul style="list-style-type: none"> <li>Application for the preparation of grave(s) must be done at least 2 days prior to the funeral date at/before 12h00</li> <li><b><u>Weekend arrangements for funerals:</u></b> Application for the preparation of a reserved grave – before/on Wednesday, 12h00</li> <li><b><u>Covering of graves:</u></b> The covering of graves will only be done during normal office hours</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount per site.</li> <li>Fixed amount per site.</li> <li>Fixed amount per site.</li> <li>Fixed amount per site – provides last residing address</li> <li>Fixed amount per site – provides last residing address</li> </ul>
14.1 Single grave site – purchase price. 14.2 Single grave – children under 12 years. 14.3 Reservation of site. 14.4 Applications for a single grave burial on approval from non-Swartland Inhabitants 14.5 Reservation Application for a single grave burial on approval from Non-Swartland Inhabitants 14.6 Digging of grave – 1.8m	<ul style="list-style-type: none"> <li>Estimated actual cost plus % levy for administrative costs.</li> <li>Estimated actual cost plus % levy for administrative costs.</li> <li>Fixed amount per site.</li> </ul>
14.7 Covering of grave.	<ul style="list-style-type: none"> <li>Estimated actual cost plus % levy for administrative costs</li> </ul>
14.8 Pointing out of grave site.	<ul style="list-style-type: none"> <li>Fixed amount per urn.</li> </ul>
14.9 Construction of brick lining: <ul style="list-style-type: none"> <li>single grave</li> <li>extra deep grave</li> </ul>	<ul style="list-style-type: none"> <li>Fixed cost per availability quantity of temporary toilets at funerals.</li> </ul>
14.10 Wall of remembrance – purchases of storage space.	

FUNCTION	UNIT OF RETURN
14.11 Application for Availability of temporary toilets at funerals	
<b>15. SWIMMING POOL FEES</b>	
15.1 Per ticket and per Class I or Class II swimming pool	<ul style="list-style-type: none"> <li>Fixed amount per ticket.</li> </ul>
15.2 Per seasonal ticket per Class I or Class II swimming pool	<ul style="list-style-type: none"> <li>Fixed amount per ticket.</li> </ul>
15.3 For galas – during the week per Class I or per Class II swimming pool	<ul style="list-style-type: none"> <li>Fixed amount per gala per Class I and II swimming pool.</li> </ul>
15.4 For galas – weekends (Saturdays and Sundays) per Class I or per Class II swimming pool	<ul style="list-style-type: none"> <li>Fixed amount per gala per Class I and II swimming pool.</li> </ul>
15.5 For 2/3 camp gatherings (max 3 hours) per Class I or Class II swimming pool – during week and weekends (Saturdays and Sundays).	<ul style="list-style-type: none"> <li>Fixed amount per gatherings .</li> </ul>
15.6 Season fee for clubs and schools 1 – 6 days per week per Class 1 or Class II swimming pool.	<ul style="list-style-type: none"> <li>Fixed amount per club or school. .</li> </ul>
15.7 Uplifting projects (non-exclusive usage max of 30 persons per day) per Class I or Class II swimming pool.	<ul style="list-style-type: none"> <li>Fixed amount per event per day. .</li> </ul>
15.8 Churches, Youth, Crèches, Sport Clubs – per person per Class I or Class II swimming pool.	<ul style="list-style-type: none"> <li>Fixed amount per ticket.</li> </ul>
<b>16. BUILDING PLAN FEES</b>	
16.1 Minor building work.	<ul style="list-style-type: none"> <li>Fixed amount per building plan.</li> </ul>
16.2 Boundary walls.	<ul style="list-style-type: none"> <li>Fixed amount per running metre.</li> </ul>
16.3 Extension of validity period, within 12 months.	<ul style="list-style-type: none"> <li>Fixed amount per application.</li> </ul>
16.4 Extension of validity period (after 12 months but before 24 months, 50% but not less than minimum fees).	<ul style="list-style-type: none"> <li>Fixed amount per m<sup>2</sup>, less 50% of per m<sup>2</sup>.</li> </ul>
16.5 Building plan fees: low cost housing.	<ul style="list-style-type: none"> <li>Fixed amount per building plan.</li> </ul>
16.6 Additional building fees – Start building without approval – Step 1. : Capture the Process-	<ul style="list-style-type: none"> <li>That 50% of the actual cost tariff structure will be applicable on minor building works.</li> </ul>
16.7 Additional building fees – Start building without approval – Step 2. : Follow-up the Process-	<ul style="list-style-type: none"> <li>That 50% of the actual cost tariff structure will be applicable on minor building works.</li> </ul>

FUNCTION	UNIT OF RETURN
16.8 Additional building fees – Start building without approval – Step 3. : Legal Process-	<ul style="list-style-type: none"> <li>That 50% of the actual cost tariff structure will be applicable on minor building works.</li> </ul>
16.9 List of approved building plans (annual fees).	<ul style="list-style-type: none"> <li>Fixed amount per building plan.</li> </ul>
16.10 Approval of building plan fees.	<ul style="list-style-type: none"> <li>Fixed amount per m<sup>2</sup>.</li> </ul>
16.11 Approve - Minimum building plan fees.	<ul style="list-style-type: none"> <li>Fixed amount per building plan.</li> </ul>
16.12 Approval of building plan fees: rural areas.	<ul style="list-style-type: none"> <li>Fixed amount per m<sup>2</sup>.</li> </ul>
16.13 Approval: building plan fees (architectural design manual).	<ul style="list-style-type: none"> <li>Fixed amount per m<sup>2</sup>.</li> </ul>
16.14 Issue of certificate of occupation i.t.o. A20 NBR for buildings where the total floor space is 500 square metres or less	<ul style="list-style-type: none"> <li>Fixed amount for buildings where the total floor area is 500m<sup>2</sup> and smaller</li> </ul>
16.15 Issue of certificate of occupation i.t.o A20 NBR for buildings where the total floor space is more than 500 square metres.	<ul style="list-style-type: none"> <li>Fixed amount for buildings where the total floor area is in excess of 500m<sup>2</sup></li> </ul>
<b>17. LAND USE APPLICATIONS AND SUB-DIVISIONS: TARIFFS</b>	
17.1 Advertising signs.	<ul style="list-style-type: none"> <li>Fixed amount per sign.</li> </ul>
17.2 Application fees- advertising signs erected without approval.	<ul style="list-style-type: none"> <li>Fixed amount per application.</li> </ul>
17.3 Show house signs (payable per annum).	<ul style="list-style-type: none"> <li>Fixed amount – annual, excluding sign deposit.</li> </ul>
17.4 Show house deposit.	<ul style="list-style-type: none"> <li>Fixed amount per application.</li> </ul>
17.5 Town plans: Drawings	<ul style="list-style-type: none"> <li>Fixed amount per black and white or coloured.</li> </ul>
17.6 Digital area maps – per pdf.file.	<ul style="list-style-type: none"> <li>Fixed amount per pdf.file.</li> </ul>
17.7 Application for rezoning (not applicable to sub divisional area)	<ul style="list-style-type: none"> <li>Fixed amount per application.</li> </ul>
17.8 Application for rezoning (applicable to sub divisional area) additional amount per land use (open spaces and roads excluded).	<ul style="list-style-type: none"> <li>Fixed amount per application plus additional amount per land use.</li> </ul>
17.9 A permission required in terms of the zoning scheme - Section 25(2)(g).	<ul style="list-style-type: none"> <li>Fixed amount per permission.</li> </ul>
17.10 A determination of a zoning – Section 25(2)(m).	<ul style="list-style-type: none"> <li>Fixed amount per determination.</li> </ul>
17.11 An approval of an overlay zone as provided for in the zoning scheme – Section 25(2)(j).	<ul style="list-style-type: none"> <li>Fixed amount per approval.</li> </ul>
17.12 A permission required in terms of the conditions of approval – Section 25(2)(l).	<ul style="list-style-type: none"> <li>Fixed amount per permission.</li> </ul>
17.13 A permission required for the reconstruction of an existing building that constitutes a non-conforming use that is	<ul style="list-style-type: none"> <li>Fixed amount per permission.</li> </ul>

FUNCTION	UNIT OF RETURN
destroyed or damaged to the extent that it is necessary to demolish a substantial part of the building – Section 25(2)(s).	
17.14 Application for consent uses.	<ul style="list-style-type: none"> <li>• Fixed amount per application. .</li> </ul>
17.15 Application for consent use – (House Shops ONLY).	<ul style="list-style-type: none"> <li>• Fixed amount for House Shops ONLY.</li> </ul>
17.16 Application for consent use – Day Care Centre only.	<ul style="list-style-type: none"> <li>• Fixed amount per application for Day Care Centre.</li> </ul>
17.17 Applications for extension of the validity period of approvals for re-zoning and consent uses.	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> </ul>
17.18 Application for extension of validity period – consent use – House shop / Day Care Centre only	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> </ul>
17.19 An extension of the validity period of an approval - Section 25(2)(i) ; (Of a temporary departure)	<ul style="list-style-type: none"> <li>• Fixed amount per extension period of a temporary departure</li> </ul>
17.20 Subdivisions and Registration of Servitude / Lease Agreement	<ul style="list-style-type: none"> <li>• Fixed amount per Subdivisions and Registration</li> </ul>
17.21 Applications for sub-division:	
<ul style="list-style-type: none"> <li>• Above 10 erven</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed amount per sub division above 10 erven.</li> </ul>
<ul style="list-style-type: none"> <li>• Plus: above 10 erven – per erf</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed amount per sub division above 10 erven per erf</li> </ul>
17.22 An amendment or cancellation of an approved subdivision plan or a part thereof, including a general plan or diagram – Section 25(2)(k).	<ul style="list-style-type: none"> <li>• Fixed amount per an amendment or cancellation of an approved subdivision plan or a part thereof, including a general plan or diagram</li> </ul>
17.23 Application for extension of validity period of sub divisions.	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> </ul>
17.24 Applications for departures:	
<ul style="list-style-type: none"> <li>• erven &lt; 500 m<sup>2</sup></li> <li>• erven 501 m<sup>2</sup> – 750 m<sup>2</sup></li> <li>• erven &gt; 750 m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> <li>• Fixed amount per application.</li> <li>• Fixed amount per application.</li> <li>• Fixed amount per application.</li> </ul>
17.25 Application for departure (By-Law)	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> </ul>
17.26 Application for departure (House Shop ONLY)	
17.27 An occasional use of land – Section 25(2)(p)	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
17.28 Application for removal of restricting.	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
17.29 Closure of Public Place	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
17.30 Consolidation of Land Units	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> </ul>
17.31 Amendment/Cancellation of General Plan	<ul style="list-style-type: none"> <li>• Fixed amount per amendment /Cancellation.</li> </ul>
17.32 Exemptions - Section 34	<ul style="list-style-type: none"> <li>• Fixed amount per exception</li> </ul>

FUNCTION	UNIT OF RETURN
17.33 Appeals - Section 89(2)	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
17.34 Disestablish Home Owner's Association – Section 25(2)(q)	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
17.35 To rectify a failure by a home owner's association to meet its obligations in respect of the control over or maintenance of services – Section 25(2)(r);	<ul style="list-style-type: none"> <li>• Fixed amount per application</li> </ul>
17.36 Cost of advertisements - payable with application (Spluma/Lupa/By-Law) (rezoning, sub-division, consent uses and departures ) – Cost per single application – News papers	<ul style="list-style-type: none"> <li>• Fixed amount per single application - newspapers.</li> </ul>
17.37 Cost of advertisements – payable with application (Spluma/Lupa/By-Law)( rezoning, sub-division, consent uses and departures) – Combination application - newspapers	<ul style="list-style-type: none"> <li>• Fixed amount per combination applications – cost per application type – news papers</li> </ul>
17.38 Cost of advertisements in regard to the advertising of applications for rezoning, sub-division, consent uses and departures– <u>Provincial Gazette</u>	<ul style="list-style-type: none"> <li>• Fixed amount per application – Provincial Gazette</li> </ul>
17.39 Postage Fees (Subject to Quantity postage)	<ul style="list-style-type: none"> <li>• Price per unit (subject to quantity postage)</li> </ul>
17.40 Issue of section 38 (BY-LAW)	<ul style="list-style-type: none"> <li>• Fixed amount per Erf</li> </ul>
17.41 Amendment, deletion or imposition of conditions – application fee will only be considered if the application requires a public participation process)	<ul style="list-style-type: none"> <li>• Fixed amount per amendment, deletion or imposition if requires a public participation process</li> </ul>
17.42 Amendment, deletion or imposition of conditions – application fee will only be considered if the application without a public participation process)	<ul style="list-style-type: none"> <li>• Fixed amount per amendment, deletion or imposition without a public participation process</li> </ul>
17.43 Approval of a Constitution	<ul style="list-style-type: none"> <li>• Fixed amount per approval</li> </ul>
17.44 Approval of an architectural design manual	<ul style="list-style-type: none"> <li>• Fixed amount per approval</li> </ul>
17.45 Amendment of a constitution or an architectural design.	<ul style="list-style-type: none"> <li>• Fixed amount per amendment or per design</li> </ul>
17.46 Additional Fees for unauthorised land use – per day	<ul style="list-style-type: none"> <li>• Fixed amount per day after the closing date of the Final Notice.</li> </ul>
17.47 Zoning Certificate.	<ul style="list-style-type: none"> <li>• Fixed amount per zoning certificate.</li> </ul>
17.48 CD for SDF.	<ul style="list-style-type: none"> <li>• Fixed amount per CD. -SDF</li> </ul>
17.49 CD for Zoning Scheme Regulations.	<ul style="list-style-type: none"> <li>• Fixed amount per CD.</li> </ul>
17.50 Application providing the reasons for the decision to the applicant taken by the Valuation Appeal Board – regarding the	<ul style="list-style-type: none"> <li>• Fixed amount per application.</li> </ul>

FUNCTION	UNIT OF RETURN
Property Rates Act (6 of 2004) section 53(2) 17.51 Amendment of SDF (if required)	<ul style="list-style-type: none"> <li>Fixed amount per amendment.</li> </ul>
<b>18. CARAVAN PARK AND CHALETS: TARIFFS</b>	
18.1 Camping sites for caravans and/or tents (out of season): <ul style="list-style-type: none"> <li>limited to 4 persons per site.</li> <li>more than 4 persons per site.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount for 4 persons per night.</li> <li>Fixed amount for each additional person per night.</li> </ul>
18.2 Camping sites for caravans and/or tents (in season): <ul style="list-style-type: none"> <li>limited to 4 persons per site.</li> <li>more than 4 persons per site.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount for 4 persons per night.</li> <li>Fixed amount for each additional person per night.</li> </ul>
18.3 Chalets (out of season)- <ul style="list-style-type: none"> <li>limited to 6 persons per chalet</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount for 6 persons per night.</li> </ul>
18.4 Chalets (in season)- <ul style="list-style-type: none"> <li>limited to 6 persons per chalet</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount for 6 persons per night.</li> </ul>
18.5 Entrance fees for visitors <ul style="list-style-type: none"> <li>entrance fees for motor vehicles plus entrance fees per person.</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount per person and per vehicle</li> </ul>
18.6 Camping site without any facilities for cyclists with one-person tents.	<ul style="list-style-type: none"> <li>Fixed amount per application per night.</li> </ul>
18.7 Storage place for caravans.	<ul style="list-style-type: none"> <li>Fixed amount per storage place.</li> </ul>
18.8 Washing machine fees.	<ul style="list-style-type: none"> <li>Fixed amount per wash.</li> </ul>
18.9 Fees payable at reservation	<ul style="list-style-type: none"> <li>100% of amount payable for reserved period</li> <li>100% of amount payable for reserved period</li> </ul>
Chalets – December/January Easter week-end Other periods Camping sites – December/January Easter week-end	<ul style="list-style-type: none"> <li>100% of amount payable for reserved period.</li> <li>The amount payable for the reserved period less 10% forfeit fee</li> </ul>
18.10 Cancellation of reservations for chalets/camping sites.	
18.11 Cancellation of reservation after 3 weeks from booking date.	<ul style="list-style-type: none"> <li>100% FORFEIT FEE will be recovered from fees payable, if cancellation is after <b>3 weeks</b> from booking date.</li> </ul>
18.12 Rebate for pensioners and groups: Pensioners-	<ul style="list-style-type: none"> <li>40% for persons 60 years and older during "out of season" period.</li> </ul>

FUNCTION	UNIT OF RETURN
Groups: 10 – 15 caravans 16 – 25 caravans 26 – 50 caravans More than 50 caravans 18.13 Crockery of Chalets 18.14 Bedding of Chalets	10% rebate. 15% rebate. 20% rebate. 25% rebate. <ul style="list-style-type: none"> <li>Fixed cost per item</li> <li>Fixed cost</li> </ul>
<b>19. DISPLAY OF POSTERS AND/OR BANNERS ON MUNICIPAL COMMONAGE</b>	
19.1 Deposit payable for events of a non-commercial nature (Religious, sport, tourism etc.).	<ul style="list-style-type: none"> <li>Refundable deposit payable per event.</li> </ul>
19.2 Deposit payable for election purposes, by political parties for National and Provincial Elections and Local Government Elections (excluding By-Elections).	<ul style="list-style-type: none"> <li>Refundable deposit payable per ward.</li> </ul>
19.3 Deposit payable for Election purposes by political parties for By-Elections.	<ul style="list-style-type: none"> <li>Refundable deposit payable irrespective of the number of wards.</li> </ul>
19.4 Charge payable for display of posters and banners for Election purposes	<ul style="list-style-type: none"> <li>Fixed non-refundable charge payable by political parties.</li> </ul>
19.5 Levy for the non-removal of posters/banners on due date.	<ul style="list-style-type: none"> <li>Fixed amount payable per poster/banner.</li> </ul>
<b>20. AD HOC LETTING OF COMMONAGE, CAMPING SITES, HAWKERS AREA</b>	
20.1 Hiring of circus sites.	<ul style="list-style-type: none"> <li>Fixed amount per reservation per day.</li> </ul>
20.2 Hiring of Riebeeck Kasteel Town Square.	<ul style="list-style-type: none"> <li>Fixed amount per hiring per day.</li> </ul>
20.3 Hiring of open spaces for church services. Chemical toilet must be provided.	<ul style="list-style-type: none"> <li>Fixed amount per reservation per day or part of a day. Chemical toilet provided by Lessee at own cost.</li> </ul>
20.4 Hiring of site for merry-go-round.	<ul style="list-style-type: none"> <li>Fixed amount per site.</li> </ul>
20.5 Use of coastal area and/or other municipal open spaces in respect of: <ul style="list-style-type: none"> <li>Film shooting</li> <li>Still photos</li> <li>Weddings</li> </ul>	<ul style="list-style-type: none"> <li>Fixed amount per reservation type per day.</li> </ul>
<ul style="list-style-type: none"> <li>Concession: 50% rebate on student filming</li> </ul>	<ul style="list-style-type: none"> <li>50% rebate on student filming</li> </ul>
20.6 Hiring of hawkers' sites. (Open spaces)	<ul style="list-style-type: none"> <li>Fixed amount per open space.</li> </ul>
20.7 Cancellation of sports grounds lease.	<ul style="list-style-type: none"> <li>Actual cost plus 15% of seasonal fees.</li> </ul>
20.8 Rental of sport grounds as per tariff list classification.	<ul style="list-style-type: none"> <li>Fixed costs per sport ground: per sport type – per year or per occasion.</li> </ul>



FUNCTION	UNIT OF RETURN
20.9 Rental of Sport club facilities.	<ul style="list-style-type: none"> <li>Fixed costs per season or per occasion.</li> </ul>
20.10 Sport Club deposit	<ul style="list-style-type: none"> <li>Fixed costs per season or per occasion.</li> </ul>
20.11 Levy for the Provision of additional ablution facilities, temporary fencing and parking arrangements during special / large events:	<ul style="list-style-type: none"> <li>Fixed costs per special / large events.</li> </ul>
20.12 Recovery of breakages at sport grounds.	<ul style="list-style-type: none"> <li>Actual costs plus % levy for administration costs.</li> </ul>
<b>21. APPLICATION FOR EXTENDED TRADING HOURS into. SECTION 9(1) OF BY-LAW TO LIQUOR TRADE</b>	
21.1 Application for extended trading hours into Section 9(1) of By-Law to Liquor Trade	<ul style="list-style-type: none"> <li>Fixed amount per application</li> </ul>
<b>22. TRAFFIC DEPARTMENT: TARIFFS FOR TRAFFIC SERVICES</b>	
22.1 Issuing of stickers for the disabled.	<ul style="list-style-type: none"> <li>Free of Charge per issuing of a disabled sticker</li> </ul>
22.2 Test – Brake and light testing for light motor vehicles	<ul style="list-style-type: none"> <li>Fixed amount per test, per light vehicle</li> </ul>
22.3 Test – Brake and light testing for heavy motor vehicles	<ul style="list-style-type: none"> <li>Fixed amount per test, per heavy vehicle</li> </ul>
22.4 Escorting of vehicles through town.	<ul style="list-style-type: none"> <li>Fixed amount per hour per officer.</li> </ul>
22.5 Rendering of services to bodies such as sporting clubs, funeral escorts, festivals and similar services, etc.	<ul style="list-style-type: none"> <li>Fixed amount per hour per officer per occasion.</li> </ul>
22.6 Closing of any Municipal road(s) for any private or tourism activities, excluding matric farewell.	<ul style="list-style-type: none"> <li>Fixed amount per road closing application</li> </ul>
<b>23. HARBOUR AND FISH MARKET, YZERFONTEIN: TARIFFS</b>	
23.1 Use of harbour facilities - all boats.	<ul style="list-style-type: none"> <li>Fixed amount per service.</li> </ul>
23.2 Entrance fees for motor vehicles.	<ul style="list-style-type: none"> <li>Fixed amount per motor vehicle.</li> </ul>
23.3 Entrance fees payable in regard to the use of the fish market facilities.	<ul style="list-style-type: none"> <li>Fixed amount per service.</li> </ul>
24. Sport Grounds – Fields and Club Houses: Tariffs	
24.1 Sport ground application – cancellations;	

FUNCTION	UNIT OF RETURN
24.2 Sport Ground: Class's: I; II and III	<ul style="list-style-type: none"> <li>15% Administration cost payable calculated on Actual cost of application</li> </ul>
24.3 External organizations, private, national and international organizations/companies;	<ul style="list-style-type: none"> <li>Rent payable per Sport Ground Class</li> </ul>
24.4 Sport Ground used by Elderly Clubs, Crèches and Nursery Schools;	<ul style="list-style-type: none"> <li>Rent per Sport ground Class and per day</li> </ul>
24.5 Uplifting Projects (Non-Profit)	<ul style="list-style-type: none"> <li>Rent per Sport ground Class</li> </ul>
24.6 Sport Fields: Rugby, Soccer, Cricket, Netball, Hockey, Tennis, etc.	<ul style="list-style-type: none"> <li>Rent per Sport ground Class</li> <li>Rent per Sport League matches or except League matches, per season or per occasion or only League matches</li> </ul>
24.7 Schools (All facilities)	<ul style="list-style-type: none"> <li>Rent per year – electricity excluded</li> </ul>
24.8 Schools (All facilities)	<ul style="list-style-type: none"> <li>Rent per occasion – electricity excluded</li> </ul>
24.9 Sport Club Houses- Class I; II and III;	<ul style="list-style-type: none"> <li>Rent payable per Sport Ground Class and occasion;</li> </ul>
24.10 Sport Club Houses – Deposit	<ul style="list-style-type: none"> <li>Sport Club Deposit per Sport Ground Class and per season or per occasion;</li> </ul>
24.11 Sport Ground: Special / Large events – levy of additional ablution facilities, temporary fencing and parking arrangements	<ul style="list-style-type: none"> <li>Rent per Sport Club Class and per Sport ground field A; B and C.</li> </ul>
24.12 Sport facilities - vandalism	<ul style="list-style-type: none"> <li>Cost recovered; actual cost + 15% administration cost.</li> </ul>
<b>25. THUSONG CENTRES:</b>	
25.1 Centre applications	<ul style="list-style-type: none"> <li>Rent per day and/or per evening</li> </ul>
25.2 Centre - kitchen and/or committee room	<ul style="list-style-type: none"> <li>Rent per item and per occasion</li> </ul>
25.3 Centre – use by Schools/Churches and or Sport clubs	<ul style="list-style-type: none"> <li>Rent per application, less 50% of tariffs</li> </ul>
<b>26. SWARTLAND FIRE SERVICES:</b>	
<b>26.1 Attendance of any irrespective of number of vehicles and personnel</b>	<ul style="list-style-type: none"> <li><b>Attendance of any incident irrespective of number of vehicles and personnel (first hour)</b></li> </ul>
<b>26.2 Attendance after first hour:</b>	

FUNCTION	UNIT OF RETURN
26.3 Personnel charges (cost if additional personnel are required) (Standby):	<ul style="list-style-type: none"> <li>Major / Medium appliance Rescue pumps / Arial appliance including Personal (Standby) (per hour or part thereof)</li> <li>Hazmat Unit (per hour or part thereof)</li> <li>Auxiliary appliance (inclusive of manpower) Off-road, light/heavy rescue. Hazmat units (Standby) (per hour or part thereof)</li> <li>Service vehicles (inclusive of manpower) LDV's and transporters (Standby)</li> <li>Trailers and units (inclusive of manpower) Fuel/hydrant trailer BA trailer and command unit (Standby) (per hour or part thereof)</li> </ul>
	<ul style="list-style-type: none"> <li>Chief Fire Officer (per hour or part thereof)</li> <li>Assistant Chief Fire Officer (per hour or part thereof)</li> <li>District Commander (per hour or part thereof)</li> <li>Station Senior Officer (per hour or part thereof)</li> <li>Platoon Officers (per hour or part thereof)</li> <li>Senior Fire Fighters (per hour of part thereof)</li> <li>Fire Fighters (per hour of part thereof)</li> <li>Learner Fire Fighters (per hour or part thereof)</li> <li>EPWP Learner Fire Fighters (per hour or part thereof)</li> <li>Replacement Cost plus 10% administration cost</li> </ul>

FUNCTION	UNIT OF RETURN
26.4 Specialized consumable material (Standby)	

#### 9. Notification of tariffs, fees and service charges

- (1) The municipality must give notice of all tariffs approved at the annual budget meeting at least 30 days prior to the date that the tariffs become effective.
- (2) A notice stating the purport of the council resolution and the date on which the new tariffs shall become operational, must be displayed by the municipality at a place designated for that purpose.



**SWARTLAND MUNICIPALITY**

**DRAFT PROPERTY RATES POLICY**

**FINAL REVIEWS**

**MARCH - MAY 2021**

**for the Financial Year 2021/2022**

In terms of section 3 of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004), the Swartland Municipality hereby adopts the following Property Rates Policy –

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**1. Definitions**

In this policy, unless the context otherwise indicates –

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

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

**“business property”** means property used for the activity of buying, selling or trade in goods or services and includes any office or other accommodation on the same erf, the use of which is incidental to such business, and includes; property that does not fall into any other category of property:- ~~(with the exclusion of the business of mining, agriculture, farming, or inter alia, any other business consisting of cultivation of soils, the gathering in of crops or the rearing of livestock or consisting of the propagation and harvesting of fish or other aquatic organisms; should this be included???)~~

**“category”** –

- (a) means a category of property determined based on the use of the property in terms of section 8(2) of the Act;
- (b) in relation to owners of property, means a category of owners determined in terms of section 15(2) of the Act;

**“conservation area”** means –

- (a) a protected area listed in terms of section 10 of the Protected Areas Act, 2003 (Act 57 of 2003);
- (b) a nature reserve established in terms of the Nature and Environmental Conservation Ordinance, No 19 of 1974; or
- (c) any land which is zoned as open space zone II or III in terms of the municipality’s zoning scheme regulations, provided that such protected areas, nature reserves or land, with the exception of tourism facilities that may have been erected thereon, are exclusively utilised for the preservation of fauna and/or flora in perpetuity and the products of such land are not being traded for commercial gain;

**“council”** means the municipal council of the Swartland Municipality referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

**“disabled person”** means a person who receives a disability grant from the Department of Social Development;

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

Exemption in relation to the payment of rates, means an exemption granted in terms of section 15 of the MPRA.

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

**“Income Tax Act”** means the Income Tax Act, 1962 (Act 58 of 1962);

**“industrial property”** means a property used as ~~means~~ a branch of trade or manufacturing, production, assembling or processing of finished or partially finished products from raw materials or fabricated parts, on so large scale that capital and labour are significantly involved, including the processing storage and warehousing of the products and any other incidental facilities on the property;

**“land tenure right”** means a land tenure right as defined in section 1 of the Upgrading of Land Tenure Rights Act, 1991 (Act 112 of 1991);

**“local community”** means –

that body of persons comprising –

- (a) the residents of the municipality;
- (b) the ratepayers of the municipality;
- (c) any civic organisations and non-governmental, private sector or labour organisations or bodies which are involved in local affairs within the municipality; and
- (d) 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

more specifically includes the poor and other disadvantaged sections of such body of persons;

**“market value”** means the value of the property determined in accordance with section 46 of the Act;

**“mining property”** ~~in relation to the use of the property~~ means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002); ~~that is primarily used for any operation or activity for the purpose of extracting any mineral on, in or under the earth, water or any residue deposit, whether by underground or open working or otherwise and includes any operation or activity incidental thereto;~~

**“multiple purposes”** means the use of a property for more than one purpose subject to section 9 of the Act;

**“municipal property”** means property of which the municipality is the owner and used for municipal services;

**“municipal valuer”** means a person designated as a municipal valuer in terms of section 33(1);

**“municipality”** means the Swartland Municipality established in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998);

**“municipal manager”** means a person appointed in terms of section ~~54A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000); (MPRA refers to section 82 of the Local Municipal Government: Municipal Structures Act, 1998 (Act 117 of 1998))~~

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

**“owner”** –

- (a) in relation to a property 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 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, means the share block company as defined in the Share Blocks Control Act, 1980 (Act 59 of 1980);
- (bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f) of the Act, 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 **“property”**, means the organ of state which owns or controls that public service infrastructure as envisaged by the definition in the Act of the term **“publicly controlled”**;

~~(d)~~ provided that a person mentioned shall for the purposes of this policy be regarded by the municipality as the owner of a property in the following cases –

- (i) a trustee, in the case of a property in a trust excluding state trust land;
- (ii) an executor or administrator in a deceased estate;
- (iii) a trustee or liquidator in an insolvent estate or in liquidation;
- (iv) a judicial manager in the estate of a person under judicial management;
- (v) a curator in the estate of a person under curatorship;
- (vi) a usufructuary or other person in whose name a usufruct or other personal servitude is registered that is subject to a usufruct or other personal servitude;
- (vii) a buyer, in the case of a property that was sold and of which possession was given to the buyer pending registration of ownership in the name of the buyer;
- (viii) a lessee in the case of a property that is registered in the name of the municipality and is leased by it

**“permitted use”** 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;

**“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;

**“protected area”** means an area that is or has to be listed in the register referred to in section 10 of the National Environmental Management: Protected Areas Act, 2003 (Act 57 of 2003), excluding any residential or other properties located therein;

**“public benefit organisation property”** means property owned by a public benefit organisations and used for any specified public benefit activities listed in Part I of the Ninth Schedule to the Income Tax Act; ~~an organisation conducting specified public benefit activities as defined in the Act and registered in terms of the Income Tax Act for tax reductions because of those activities;~~

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

- (a) national, provincial or other public roads on which goods, services, or labour move across a municipal boundary;
- (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
- (c) power stations, power substations or power lines forming part of an electricity scheme serving the public;
- (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;
- (e) railway lines forming part of a national railway system;
- (f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;
- (g) runways, ~~or~~ aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for air navigation purposes;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
- (i) any other publicly controlled infrastructure as may be prescribed; or

- (j) a rights registered against immoveable property ~~of way, easements or servitudes~~ in connection with infrastructure mentioned in paragraphs (a) to (i);

**“public service 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”;

~~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 and **“rates”** has a corresponding meaning;

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

**“rebate”** means a discount on the amount of the rate payable on the property;

**“reduction”** means the lowering of the amount for which the property was valued and the rating of the property at that lower amount;

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

**“senior citizen”** means a person who is 60 years or older in the financial year for which the application for rebate is made, irrespective of his or her age at the time of application;

~~**“state-owned properties”** means properties owned by the State, which are not included in the definition of public service infrastructure in the Act. These state-owned properties are classified as follows:~~

~~(a) — State properties that provide local services;~~

~~(b) — State properties that provide regional/municipal district wide/metro wide services;~~

~~(c) — State properties that provide provincial/national services.~~

**“the Act”** means the Municipal Property Rates Act, 2004 (Act 6 of [2004](#)) [as amended from time to time and includes regulations made in terms of section 83](#); and

**“vacant land”** means land on which no immovable improvements have been made [as determined by the Municipal Valuer](#);

## 1A. Purpose of the policy

The purpose of the policy is –

- (a) to comply with the provisions of section 3 of the Act; and
- (b) to determine criteria to be applied for –
  - (i) the levying of different rates for different categories of properties;
  - (ii) exemptions;
  - (iii) reductions and rebates; and
  - (iv) rate increases or decreases;
- (c) to determine or provide criteria for the determination of –
  - (i) categories of properties for the purpose of levying different rates; and

- (ii) categories of owners of properties or categories of properties, for the purpose of granting of exemptions, rebates and reductions;
- (d) to determine how the municipality’s powers must be exercised in relation to multiple purpose properties;
- (e) to identify and quantify in terms of cost and benefit to the community –
  - (i) exemptions, rebates and reductions;
  - (ii) exclusions; and
  - (iii) rates on properties to be phased in;
- (f) to take into account the effect of rates on the poor;
- (g) to take into account the effect of rates on organisations which are conducting particular public benefit activities and are registered in terms of the Income Tax Act for tax exemptions, in respect of those activities;
- (h) to take into account the effect of rates on public service infrastructure;
- (i) to allow the municipality to promote local economic and social development;
- (j) to identify all rateable property;
- (k) to ensure that any exemptions, rebates or reductions provided for in this policy comply and be implemented in accordance with a national framework after consultation with organised local government; and
- (l) to ensure that the municipality does not grant relief in respect of the payment of a rate –
  - (i) to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in this policy; or
  - (ii) to the owners of properties on an individual basis.

## 1B. Application

This property rates policy shall be applicable in respect of the financial year 1<sup>st</sup> July 2021 until 30<sup>th</sup> June 2022.



## 2. Policy principles

- (1) The levying of a rate on a property is an exclusive power of the municipality in terms of Section 229 of the Constitution of the Republic of South Africa which will be applied with due regard to the total revenue pool of the municipality.
- (2) In terms of Section 4(1)(c) of the Local Government: Municipal Systems Act, 1998 (Act 117 of 1998) a municipality has the right to finance the affairs of that municipality by imposing, inter alia, rates on property.
- (3) In terms of Section 2 of the Act a municipality may levy a rate on property in its area.
- (4) This Policy is adopted in terms of Section 3 of the Act.
- ~~(4)~~(5) This Policy must be read together with and is subject to the provisions of the Act and the Swartland Municipality Municipal Property Rates By-Law.
- ~~(2)~~(6) The rating of property will be done impartially, fairly, equitably and without bias, and these principles also apply to the setting of criteria for exemptions, reductions and rebates contemplated in section 15 of the Act.
- ~~(3)~~(7) The rating of property will be implemented in a way that –
  - (a) is developmentally orientated;
  - (b) supports sustainable local government by providing a stable and buoyant revenue source within the discretionary control of the municipality; and
  - (c) supports local and social economic development.
- ~~(4)~~(8) Property rates may be levied to correct the imbalances of the past and to minimise the effect of rates on the poor.
- ~~(5)~~(9) Rates will be levied in proportion to the market value of the property;
- ~~(6)~~(10) The rates ~~tariffs~~ will be based on the value of all rateable properties and the amount required by the municipality to balance the operating budget after taking into account surpluses generated on trading and economic services and the amounts required to finance exemptions, rebates, reductions and phasing in or rates as approved by the council.
- ~~(7)~~(11) Trading and economic services must be ring fenced and tariffs and service charges calculated, whenever possible in such a manner that the income generated covers the cost of the services or generates a surplus;
- ~~(8)~~(12) Property rates may be used to finance community services.

- ~~(9)~~(13) Surpluses on trading and economic services may be used to subsidise community services.
- ~~(10)~~(14) The provision for working capital and bad debts must relate to the requirements for community services and not to those of trading and economic services.
- (15) The revenue base of the municipality must be protected by limiting reductions, exemptions and rebates.
- ~~(11)~~(16) The General Valuation Roll with base date 1 July 2019 (updated with Supplemental Valuation Rolls during its period of validity) and first implemented on 1 July 2020, determines the market values on which rates will be charged in terms of this policy. The Local Government: Municipal Property Rates Amendment Act 29 of 2014 necessitated amendments to the categories of properties as from 1 July 2021 and the descriptions of the categories remained the determining factor, however some of the references in the Valuation Roll to specific sections in this policy were affected and must be read within the context of the descriptions. In addition, certain categories such as state owned and agricultural properties not used for bona fide farming were removed and such properties will be rated according to the category determined by the use of such properties or portions thereof.

### 3. Levying of rates

- (1) Subject to the provisions of subparagraph (2), the municipality must levy rates on all rateable property in its area of jurisdiction at a rate to be fixed in terms of section 14 of the Act.
- (2) Rates may not be levied –
  - (a) as contemplated in terms of section 17 of the Act;
  - (b) on property of the municipality;
  - (c) on public services infrastructure which is the property of a municipal entity;
  - (d) property referred to in section 7(2)(a)(iii) and (iv) of the Act; and
  - (e) property exempted in terms of paragraph 7 hereof.

### 4. Categories of property

Properties may be categorised as follows according to the use of the property, the permitted use of the property, or a combination of the two –

- (a) residential properties;
- (b) vacant land;
- (c) industrial properties;
- (d) mining properties;
- (e) business and commercial properties;
- (f) ~~properties in rural areas zoned for business or in terms of which consent uses have been approved in terms of the municipality's zoning scheme regulations;~~
- (g) agricultural properties with the proviso that properties not used for bona fide farming will not fall within this category;
- (h) ~~state owned properties, excluding state owned property contemplated in subparagraph (l) below;~~
- (i) ~~municipal properties;~~
- (j) public service infrastructure;
- ~~(j)(k)~~ properties owned by an organ of state and used for public service purposes;
- ~~(l)~~ informal settlements including those on land which are not subdivided into residential erven;
- ~~(k)(m)~~ informal settlements including those on land which are not subdivided into residential erven;
- ~~(l) property –~~

~~(i) – acquired through the Provision of Land and Assistance Act, 1993 (Act 126 of 1993), or the Restitution of Land Rights Act, 1994 (Act 22 of 1994); or~~

~~(ii) – which is subject to the Communal Property Association Act, 1996 (Act 28 of 1996);~~

~~(m) – conservation areas and protected areas;~~

~~(n) – properties on which national monuments are proclaimed;~~

(o) properties owned by public benefit organisations and used for specified public benefit activities ~~the corresponding public benefit activities listed in Part 1 of the Ninth Schedule to the Income Tax Act –~~

(p) properties used for multiple purposes subject to section 9 ~~in terms of the municipality's zoning scheme regulations (permitted use).~~

### 5. Categories of owners

In terms of section 15(2) of the Act the following categories of owners will be recognised –

- (a) owners who qualify for indigent support in terms of the municipality's Indigent Policy;
- (b) owners of property situated within an area affected by –
  - (i) a disaster within the meaning of the Disaster Management Act, 2002 (Act 57 of 2002); or
  - (ii) any other adverse social or economic conditions;
- (c) owners of residential properties of which the market value is lower than an amount determined by the municipality; and
- (d) an owner of residential property who is a senior citizen or a disabled person.

### 6. Differential rates

- (1) In terms of section 8 of the Act the municipality may levy differential rates for different categories of rateable property.
- (2) A rate equal to 25% or such lesser rate as the municipality may determine, of the rate applicable to residential properties shall be levied in respect of –
  - (a) agricultural property; and

- (b) that portion of a property in the category “multiple purposes” which has been apportioned for agricultural purposes in terms of section 15(2) of the Act.

## 7. Exemptions

- (1) To reduce the rates burden and cost of service charges all municipal properties (-used for municipal services) are exempted from property tax, including municipal property which is leased. ???
- (2) The following properties will also be exempt from rates (-i.e exempted from paying any rates) –
  - (a) property [used as conservation areas and protected areas as defined in section 1 of this policy](#);
  - (b) property registered in the name of a public benefit organisation (welfare and humanitarian) which is used for the following public benefit activities –
    - (i) the care for, or counselling of abandoned, abused, neglected, orphaned or homeless children or the provision of education programmes relating to such children;
    - (ii) the care for, or counselling of poor and needy persons where more than 90% of the persons to whom the care or counselling is provided are over the age of 60 years;
    - (iii) the care for, or counselling of physically or mentally abused and traumatised persons or the provision of education programmes relating to such persons;
    - (iv) the provision of disaster relief;
    - (v) the rescue or care of persons in distress;
    - (vi) the provision of poverty relief;
    - (vii) rehabilitative care, counselling or education of prisoners, former prisoners and convicted offenders and persons awaiting trial;
    - (viii) the rehabilitation, care or counselling of persons addicted to a dependence-forming substance or the provision of preventative and education programmes regarding addition to dependence-forming substances;
    - (ix) conflict resolution, the promotion of reconciliation, mutual respect and tolerance between the various peoples of South Africa;
    - (x) the promotion or advocacy of human rights and democracy;

- (xi) the protection of the safety of the general public;
- (xii) the promotion or protection of family stability;
- (xiii) the provision of legal services for poor and needy persons;
- (xiv) the provision of facilities for the protection and care of children under school-going age of poor and needy parents;
- (xv) the promotion or protection of the rights and interests of, and the care of, asylum seekers and refugees;
- (xvi) community development for poor and needy persons and anti-poverty initiatives, including –
  - (aa) the promotion of community based projects relating to self-help, empowerment, capacity building, skills development or anti-poverty;
  - (bb) the provision of training, support or assistance to community based projects contemplated in paragraph (aa); or
  - (cc) the provision of training, support or assistance to emerging micro enterprises to improve capacity to start and manage businesses, which may include the granting of loans on such conditions as may be prescribed by the minister by way of regulation; and
  - (dd) the promotion of access to media and a free press.
- (c) property registered in the name of a public benefit organisation (cultural) which is used for the following public benefit activities –
  - (i) the advancement, promotion or preservation of the arts, culture or customs;
  - (ii) the promotion, establishment, protection, preservation or maintenance of areas, collections or buildings of historical or cultural interest, national monuments, national heritage sites, museums, including art galleries, archives and libraries; and
  - (iii) the provision of youth leadership or development programmes.
- [\(d\)](#) property registered in the name of a public benefit organisation (sport) which is used for the administration, development, co-ordination or promotion of sport or recreation in which the participants take part on a non-professional basis as a pastime.

~~(d)~~ (e) property owned by public benefit organisations and used for any public benefit activity listed in item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act.

~~(e)~~ (f) property registered in the name of a public benefit organisation (conservation, environmental and animal welfare) which is used for the following public benefit activities –

- (i) engaging in the conservation, rehabilitation or protection of the natural environment, including flora, fauna or the biosphere;
- (ii) the care of animals, including the rehabilitation or prevention of the ill-treatment of animals; and
- (iii) the promotion of education and training programmes relating to environmental awareness, greening, clean-up or sustainable development projects.

~~(f)~~ (g) property registered in the name of a public benefit organisation (healthcare) which is used for the following public benefit activities –

- (i) the provision of healthcare services to poor and needy persons;
- (ii) the care or counselling of terminally ill persons or persons with a severe physical or mental disability, and the counselling of their families in this regard;
- (iii) the prevention of HIV infection, the provision of preventative and education programmes relating to HIV/AIDS;
- (iv) the care, counselling or treatment of persons afflicted with HIV/AIDS, including the care or counselling of their families and dependants in this regard;
- (v) the provision of blood transfusion, organ donor or similar services; and
- (vi) the provision of primary healthcare education, sex education or family planning.

~~(g)~~ (h) property registered in the name of an agricultural society affiliated to or recognised by a bona fide agricultural union, which is used for the purposes of such a society shall be exempt from rates, provided that the owner thereof applies annually on or before 30 September for exemption for the ensuing financial year.

~~(h) — property which have been assigned to the following categories —~~

- (i) ~~“informal settlements” in terms of paragraph 4(k);~~
- ~~(ii) “conservation areas” in terms of paragraph 4(m), or that portion of a property in the category “multiple purposes” which, in terms of section 9 of the Act, has been apportioned for conservation area purposes in accordance with paragraph 4(p); and~~
- ~~(iii)(ii) “public service infrastructure” in terms of paragraph 4(j).~~

**8. Rebates ( for purposes of the 2022-2023 financial year ~~MTREF~~ please refer to the published resolution)**

- (1) The municipality may grant rebates (only in cases specifically so determined by the council from time to time and subject to budgetary provision) to industrial enterprises that promote local, social and economic development in the municipality’s area of jurisdiction.
- (2) The following criteria shall be taken into consideration for applications by industrial enterprises –
  - (a) Job creation in the municipal area;
  - (b) Social upliftment of the local community; and
  - (c) Creation of infrastructure for the benefit of the community.
- (3) For purposes of rebates an industrial enterprise shall be considered to be an enterprise which is lawfully conducted from premises zoned for industrial purposes in terms of the municipality’s zoning scheme and which employs at least 25 or more fulltime employees on such premises.
- (4) Rebates to industrial enterprises shall be phased out within five years from the date on which the rebate was granted for the first time.
- (5) Rebates to industrial enterprises may be granted on application subject to –
  - (a) the submission of a business plan indicating how the local, social and economic development objectives of the municipality are going to be achieved;
  - (b) the submission of a continuation plan certified by auditors of the enterprise stating that the objectives have been met in the first year after establishment and how the enterprise plans to continue to achieve the objectives; and
  - (c) an assessment and confirmation by the municipal manager that the enterprise qualifies.

~~(6)~~ Rebates may be granted in respect of the following properties –  
~~(a)~~ ~~properties~~ properties registered in the name of a public benefit organisation (education and development) which are used for the following public benefit activities –

- (i) the provision of education by a school as defined in the South African Schools Act, 1996 (Act 84 of 1996);
- (ii) the provision of higher education by a higher education institution as defined in terms of the Higher Education Act, 1997 (Act 101 of 1997);
- (iii) adult basic education and training, as defined in the Adult Basic Education and Training Act, 2000 (Act 52 of 2000), including literacy and numeracy education;
- (iv) further education and training provided by a public further education and training institution as defined in the Further Education and Training Act, 1998 (Act 98 of 1998);
- (v) training for unemployed persons with the purpose of enabling them to obtain employment;
- (vi) the training or education of persons with a severe physical or mental disability;
- (vii) the provision of bridging courses to enable educationally disadvantaged persons to enter a higher education institution as envisaged in subparagraph (ii);
- (viii) ~~the provision of educare or early childhood development services for pre-school children;~~
- (ix) training of persons employed in the national, provincial and local spheres of government, for purposes of capacity building in those spheres of government;
- (x) the provision of school buildings or equipment for public schools and educational institutions engaged in public-benefit activities contemplated in subparagraphs (i) to (viii);
- (xi) career guidance and counselling services provided to persons for purposes of attending any school or higher education institution as envisaged in subparagraphs (i) and (ii);
- (xii) the provision of hostel accommodation to students of a public benefit organisation, institutions, board or body;
- (xiii) programmes addressing needs in education provision, learning, teaching, training, curriculum support, governance,

whole school development, safety and security at schools, pre-schools or education institutions as envisaged in subparagraphs (i) to (viii);

(xiv) educational enrichment, academic support, supplementary tuition or outreach programmes for the poor and needy.

~~(b)~~ (a) properties assigned to the categories as contemplated by paragraphs 4(f) and 4(l);

~~(e)~~ ~~(b)~~ ~~properties used for public service purposes;~~

~~(d)~~ (c) residential properties of owners as categorised in paragraph 5(a), of which the value exceeds the limit as determined in the municipality's Indigent Policy, subject to compliance with the following requirements –

- (i) application for a rebate must be submitted annually before 30 September for the ensuing financial year –
- (ii) the applicant must be the registered owner of the property; and

~~(iii)~~ (iii) the owner must occupy the property;

to an amount equal to the rates payable on the first amount of the valuation of such property to a limit of R300 000 ~~R300 000~~ with the proviso that such owner can only qualify either in terms of the Indigent Policy of this policy, subject to any conditions imposed. Such owner shall still be liable for payment of rates on the valuation which exceeds the amount determined above. The R15 000 exemption in terms of section 17(1)(h) of the Act shall be excluded from the amount above.

(e) residential properties of owners as categorised in paragraph 5(d), to an amount equal to the rates payable on the first amount of the valuation of such property to a limit of R300 000 ~~300 000~~, subject to compliance with the following requirements –

- (i) application for a rebate must be submitted to the municipality by 30 September annually in respect of the ensuing financial year;
- (ii) the applicant must be the registered owner of the residential property concerned and must occupy such property as his or her normal residence;

~~(iii)~~ (iii) the applicant must be a natural person, and a South African citizen. If not a South African citizen, he or she must be the registered owner of the property within the jurisdiction of the municipality and must submit proof of his or her permanent residency in the Republic of South Africa;

~~(iv)~~(iii) the applicant must provide evidence that he or she is indeed a senior citizen, or in receipt of a disability pension from the Department of Social Development;

~~(v)~~(iv) where the owner owns more than one property, a rebate will be granted only on the occupied property;

~~(vi)~~(v) where the applicant occupies a residential property as the usufructuary thereof, he or she must satisfy the occupancy requirement; and

(vi) such owner shall still be liable for payment of rates on the valuation which exceeds the amount above which is subject to the determination annually<sup>1</sup> during the budget process. The R15 000 exemption in terms of section 17(1)(h) of the Act shall be excluded from the amount above

(vii) .

## 9. Application of rates and Quantification of rebates to certain categories of owners in the form of a rebate or zero rated rates

The municipality shall levy rates for the different categories of rateable property as follows:

		Rate
(1)	Residential properties	<del>0,5160</del> <u>0,5464</u>
(2)	Vacant land	<del>0,6950</del> <u>0,7360</u>
(3)	Industrial properties	<del>0,7413</del>

<sup>1</sup> Determined on 30 May 2019 at the amount of R300 000

		<u>0,7850</u>
(4)	Business and commercial properties	<del>0,7413</del> <u>0,7850</u>
(5)	Agricultural properties (used for agricultural purposes)	<del>0,1290</del> <u>0,1366</u>
(6)	<del>Agricultural properties used for eco-tourism</del>	<del>0,7413</del>
(7)	<del>Agricultural properties used for trading in or hunting of game</del>	<del>0,7413</del>
(8)	Mining properties	<del>0,7413</del> <u>0,7850</u>
(9)	Properties owned by an organ of state and used for public service purposes	<del>0,7413</del> <u>0,7850</u>
(10)	Public service infrastructure	<del>0,1366</del> <u>0,0000</u>
(11)	100% rebate to owners of public benefit organisations used for the public benefit listed activities <del>(a)</del>	0,0000
(12)	Properties used for multiple purposes. <u>The values apportioned per the different uses will be rated as at the applicable rate for that use.</u>	Either <del>0,7413</del> <u>0,7850</u> or <del>0,5160</del> <u>0,5464</u> or <del>0,1290</del> <u>0,1366</u> according to permitted use
(13)	<del>Properties in rural area zoned for business or in respect of which consent uses have been approved in terms of the municipality's zoning scheme regulations</del>	<del>0,7413</del>



(14)	Municipal properties	0,0000
(15)	Informal settlements, including those on land which are not subdivided into residential ervens	0,0000
(16)	Property acquired through the Provision of Land and Assistance Act, 1993 or the Restitution of Land Rights Act, 1994 or Communal Property Association Act, 1996	either <del>0,7413</del> <u>0,7850</u> or <del>0,5160</del> <u>0,5464</u> , according to permitted use
(17)	Conservation areas	0,0000
(18)	Protected areas (excluding residential or other properties located therein)	0,0000
(19)	National monuments	0,0000
(20)	<del>State owned properties</del> <u>These properties are rated as per the use of the property.</u>	<del>0,7413</del>
(21)	A rebate to an amount equal to the rates payable on the first amount of the valuation of such property to a limit of R <del>300 000</del> <u>300 000</u>	Qualifying <u>indigent</u> senior citizens and disabled persons
(22)	<del>An additional rebate over and above the impermissible tax, equal to an amount of R35 000 on the valuation of such property will be granted to the category of property in 4 (a) (residential properties) with no application having to be made, further subject to the rebate being granted to only one property in the name of an owner</del>	<del>Residential properties</del>

#### 10. Application for exemption or rebate

- (1) Application for an exemption or a rebate must be made on the application form, the content of which and information required therein shall be determined by the chief financial officer.
- (2) Applications must be submitted annually by 30 September to qualify for an exemption or rebate for the ensuing financial year.

- (3) Late applications after 30 September may be considered in the sole discretion of the chief financial officer.
- (4) All applications for an exemption or a rebate must be considered by the chief financial officer or his delegate.
- (5) The chief financial officer or his delegate may refuse an application for exemption or a rebate if –
  - (a) the information furnished on the application is incomplete, incorrect or false; or
  - (b) the application form is not received on or before the due date determined for such applications.
- (6) Applications by senior citizens or disabled persons must be accompanied by the following –
  - (a) a certified copy of the identity document of the owner or any other proof of the owner's age, provided that no age requirement will apply if the owner is a disabled person in receipt of a disability grant; and
  - (b) proof of a disability grant where applicable.

#### 11. Reductions

- (1) Reduction in the municipal valuation as contemplated in section 15(1)(b) of the Act may be granted where the value of a property is affected by fire damage, demolition or floods.
- (2) The reduction will be subject to a certificate issued by the municipal valuer.

#### 12. Rate adjustments

- (1) The municipality may adjust rates annually during the budget process.
- (2) Rate adjustments must be used to finance operating costs of community services.
- (3) The following annual adjustment's impact will form part of the consideration in determining the adjustment in rates on an annual basis:
  - (a) all salary and wage adjustments as agreed at the National Bargaining Council;
  - (b) an inflation adjustment for general expenditure, repairs and maintenance and contributions to funds; and

- (c) additional depreciation costs of interest and redemption on loans associated with the assets created during the previous financial year.
- (4) Extraordinary expenditure not foreseen during the previous budget period and approved by the council during a budget review process will be financed by an adjustment in property rates.
- (5) All adjustments in the property rates must be communicated to the local community in terms of the legislative requirements relating to the annual approval of budgets.

### **13. Multiple purpose use of property**

The municipality shall apportion the market value of a property used for multiple purposes in a manner determined by the municipal valuer and shall apply the rates applicable to the different categories determined by it subject to the permitted use.

### **14. Costs of exemptions, rebates, reductions and phasing in of rates**

- (1) During the budget process the Chief Financial Officer shall inform council of the estimated costs associated with the suggested exemptions, rebates, reductions as well as the cost of phasing in of rates and grants in lieu of rates.
- (2) Provision must be made in the operating budget for –
  - (a) the full potential income associated with property rates; and
  - (b) the estimated costs associated with exemptions, rebates, reductions, phasing in of rates and grants in lieu of rates insofar as the aforementioned impacts revenue foregone.

### **15. Payment arrangements**

The following matters shall be dealt with in terms of the municipality's credit control and debt collection policy –

- (a) the date on which rates become due;

- (b) the due date for payment of rates which are levied monthly as well as annually;
- (c) interest on taxes in arrears; and
- (d) steps against defaulters.

### **16. Utilisation of property**

Where it is necessary to determine the use of property, the permitted use of such a property, as contemplated in section 8(1)(b) of the Act, shall be decisive.





# SWARTLAND MUNICIPALITY

## DRAFT PROPERTY RATES BY-LAW

Reviewed and Amended

MARCH 2021

### PREAMBLE

WHEREAS section 229(1) of the Constitution requires a municipality to impose rates on property and surcharges on fees for the services provided by or on behalf of the municipality;

AND WHEREAS section 13 of the ~~Municipal Systems Act~~ Local Government: Municipal Systems Act, 2000 (Act 32 of 2002) read with section 162 of the Constitution require a municipality to promulgate municipal by-laws by publishing them in the gazette of the relevant province;

AND WHEREAS section 6 of the Local Government: Municipal Property Rates Act, 2004 requires a municipality to adopt by-laws to give effect to the implementation of its property rates policy; the by-laws may differentiate between the different categories of properties and different categories of owners of properties liable for the payment of rates;

NOW THEREFORE ~~BE IT~~ IT IS ENACTED by the Council of the Swartland Municipality, as follows:

### 1. DEFINITIONS

In this by-law, any word or expression to which a meaning has been assigned in the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), shall bear the same meaning unless the context indicates otherwise.

**'Municipality'** means Swartland Municipality;

**'Property Rates Act'** means the Local Government: Municipal Property Rates Act, 2004 (Act No 6 of 2004);

**'Property Rates Policy'** means the ~~policy on the levying of rates on rateable properties within the jurisdiction of the Swartland Municipality, contemplated in chapter 2 of the Municipal Property Rates Act~~ Swartland Municipality's Property Rates Policy adopted by the Council during May annually in terms of section 3(1) of the Local Government: Municipal Property Rates Act, 2004.

### 2. OBJECTS

The object of this by-law is to give effect to the implementation of the Property Rates Policy as contemplated in section 6 of the Municipal Property Rates Act.

### **3. ~~ADOPTION AND IMPLEMENTATION OF RATES POLICY~~ THE PROPERTY RATES POLICY**

- 3.1. ~~The Municipality shall adopt and implement its Property Rates Policy consistent with the Municipal Property Rates Act on the levying of rates on rateable property within the jurisdiction of the municipality; and~~ The Municipality prepared and adopted a Property Rates Policy as contemplated in terms of the provisions of section 3(1) of the Municipality Property Rates Act. The Property Rates Policy outlines the Municipality's rating practices; therefore it is not necessary for this By-law to restate and repeat same.
- 3.2. ~~The Municipality shall not be entitled to levy rates other than in terms of its Property Rates Policy. The Property Rates Policy is hereby incorporated by reference in this By-law. All amendments to the Property Rates Policy as the Council may approve from time to time, shall be deemed to be likewise incorporated.~~
- 3.3. ~~The Municipality does not levy rates other than in terms of its Property Rates Policy and the annually promulgated resolution levying rates which reflects the cent amount in the Rand rate for each category of ~~or~~ rateable property.~~
- 3.4. The Property Rates Policy is available at the Municipality's head office in Malmesbury, its satellite offices and municipal libraries, and electronically on the Municipality's website, i.e. [www.swartland.org.za](http://www.swartland.org.za), where members of the public can easily access the Property Rates Policy because it must be easily accessible to persons it affects.

### **4. ~~CONTENTS OF RATES POLICY~~ CATEGORIES OF RATEABLE PROPERTIES**

~~The Property Rates Policy provides for categories of rateable properties determined in terms of section 8 of the Act. *shall, inter alia:*~~

- 4.1 ~~Apply to all rates levied by the Municipality pursuant to the adoption of its Annual Budget;~~
- 4.2 ~~Comply with the requirements for:~~
- 4.2.1 ~~the adoption and contents of a rates policy specified in section 3 of the Act;~~
  - 4.2.2 ~~the process of community participation specified in section 4 of the Act; and~~
  - 4.2.3 ~~the annual review of a Policy Rates Policy specified in section 5 of the Act.~~
- 4.3 ~~Provide for principles, criteria and implementation measures that are consistent with the Municipal Property Rates Act for the levying of rates which the Council may adopt; and~~
- 4.4 ~~Provide for enforcement mechanisms that are consistent with the Municipal Property Rates Act and the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).~~

### **5. ~~CATEGORIES OF PROPERTIES AND CATEGORIES OF OWNERS OF~~**

### **PROPERTIES**

The Property Rates Policy provides for categories of properties and categories of owners of properties for the purposes of granting relief measures (exemptions, reductions and rebates) in terms of section 15 of the Act.

### **6. ~~5. ENFORCEMENT OF THE RATES POLICY~~**

~~The Municipality's Property Rates Policy shall be is enforced through the Credit Control and Debt Collection Policy and any further enforcement mechanisms stipulated in the Act and the Municipality's Property Rates Policy.~~

### **7. ~~6. REPEAL OF BY-LAWS~~**

~~The Property Rates By-law promulgated in Provincial Gazette Extraordinary No. 7778 8115 of 28 June 2017 2019 is hereby repealed.~~

### **8. ~~7. SHORT TITLE AND COMMENCEMENT~~**

~~This By-law is called the Municipal Property Rates By-law; and takes effect on the date on which it is published in the Provincial Gazette.~~

# **SWARTLAND MUNICIPALITY**

## **CREDIT CONTROL AND DEBT COLLECTION BY-LAW**

**REVIEWED AND NOT AMENDED**

**MARCH 2021**

### **PREAMBLE**

Under section 156 of the Constitution of the Republic of South Africa, 1996 ("the Constitution"), Swartland Municipality enacts as follows –**WHEREAS section 98 of the Local Government: Municipal Systems Act 32 of 2000 ('the Act')** requires a municipality to:

- (1) A municipal council must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.
- (2) By-laws in term of subsection (1) may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair differentiation.

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## SCHEDULE: CREDIT CONTROL AND DEBT COLLECTION BY-LAW

### 1. Definitions

In this by-law, the English text prevails in the event of any conflict with the Afrikaans text; and, unless the context indicates otherwise:

**account** includes levies, surcharges, service charges and availability charges in respect of the following services –

- (a) electricity supply,
- (b) water supply,
- (c) refuse removal,
- (d) sewerage services,
- (e) rates,
- (f) rental,
- (g) loan instalments,
- (h) interest on arrears, and
- (i) any other levies and monies due and payable to the Municipality;

and **municipal account** has a corresponding meaning;

**Act** means the Local Government: Municipal Systems Act 32 of 2000;

**arrears** means any amount due and payable to the Municipality which has not been paid on or before the date of payment;

**availability charges** means charges that may be levied against immovable property – whether with or without improvements – that is not connected to any municipal service works, where such property can be reasonably so connected;

**consumer** –

- (a) with effect from 1 July 2015 and with regard to property zoned for residential purposes, the owner of the property is regarded as the consumer, irrespective of who the tenant or occupier is; provided that, where a lease agreement in respect of such property has existed on 1 July 2015, the tenant or occupier is to be regarded as the consumer until the agreement has expired; subject to the definitions of “occupier” and “owner” in this section 1;
- (b) with regard to any other property, the person who receives or uses municipal services or benefits therefrom; and
- (c) with regard to municipal property that is leased, the person who receives or uses municipal services or benefits therefrom;

**consumer services deposit**, as regards connection of services, means –

- (a) a deposit for residential consumer services (water, electricity, refuse removal and sewerage services), except in the case of indigents; or
- (b) a deposit for residential and business services with a prepaid electricity meter, except in the case of indigents; or
- (c) a deposit for business services (conventional electricity services); and

- (d) increased service deposits (related to arrears and nonpayment of accounts), except in the case of indigents; or
- (e) a deposit for letting a municipal stand pipe;

**Council** means the Municipal Council of Swartland Municipality;

**debt** means any monies owing to the Municipality in respect of the rendering of municipal services, including monies relating to property rates, housing, motor vehicle registration and licensing, terminated leases and any other outstanding amounts; also, any interest on amounts owed to the Municipality;

**default –**

- (a) if, at the end of the Municipality's financial year, an owner owes the Municipality any amount of money in respect of rates or availability charges; or
- (b) if, after 31 October of a given year, an owner is in arrears with payment of rates; or
- (c) if an owner is in arrears for a period of 60 days or more with payments for availability charges, read with the definition of "arrears" in this section 1;

**Director: Financial Services** means the municipal official appointed by the Council to administer its finances, regardless of the designation or title attached to the post; the incumbent, and/or any other staff member or official to whom the incumbent has delegated specific duties and responsibilities under this by-law, is responsible for the collection of any and all monies owed to the Municipality;

**due date** means the final date, as shown on the municipal account statement, on which payment must be made;

**financial year** means the period from 1 July until 30 June of each year;

**illegal practises** refers to any practise or trade operated on municipal premises that is in contravention of any national or provincial legislation or any by-laws or regulations of the Municipality;

**indigent** means a person or household as contemplated in the Indigent Policy of Swartland Municipality;

**Municipality** means Swartland Municipality and includes any delegated official or service provider of the Municipality;

**Municipal Manager** means the person appointed in that capacity by the Council under section 55 of the Act read with section 82 of the Local Government: Municipal Structures Act 117 of 1999;

**municipal services** has the meaning as defined in section 1 of the Act, and includes a function or a combination of functions listed in schedules 4B and 5B of the Constitution as well as any other service rendered by the Municipality;

**occupier** means any person who occupies or has control over any premises; **owner –**

- (a) as regards property in terms of section 1(a) of the definition of "property": a person in whose name ownership of the property is registered;

- (b) as regards a right in terms of section 1(b) of the definition of "property": a person in whose name the right is registered;
- (c) as regards a land tenure right in terms of section 1(c) of the definition of "property": a person in whose name the right is registered or to whom it was granted by legislation; or
- (d) as regards public service infrastructure in terms of section 1(d) of the definition of "property": the organ of state which owns or controls the public service infrastructure concerned;

provided that, for the purposes of this by-law, the Municipality also regards a person mentioned below as the "owner" of a property in the following cases –

- (i) a trustee, in the case of a property held in a trust, excluding state trust land;
- (ii) an executor or administrator of a deceased estate;
- (iii) a trustee or liquidator of an estate that is insolvent or under liquidation;
- (iv) a judicial manager of the estate of a person under judicial management;
- (v) a curator of the estate of a person under curatorship;
- (vi) a usufructuary or other person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude; and
- (vii) a buyer, in the case of a property that was sold and of which possession was given to the buyer pending registration of ownership in the buyer's name;
- (e) as regards immovable property of which the Council is unable to determine the identity of the owner: the person who is entitled to the beneficial use thereof;
- (f) as regards immovable property in respect of which a lease agreement of 30 (thirty) years or longer was concluded: the lessee thereof;
- (g) in respect of –
  - (i) a portion of land demarcated on a sectional title plan and registered in accordance with the Sectional Titles Act 95 of 1986: the developer or governing body, as far as the joint property is concerned;
  - (ii) a portion of land: the person in whose name that portion is registered in accordance with a title deed, including the lawfully appointed representative of such person;
  - (iii) any person, including but not limited to –
    - (aa) a company registered in accordance with the Companies Act 71 of 2008, a trust inter vivos, a trust mortis causa, a close corporation registered in accordance with the Close Corporations Act 69 of 1984, and a voluntary association;
    - (bb) any government department;
    - (cc) any council or governing body established in accordance with any legislation in force in the Republic of South Africa; and
    - (dd) any embassy or other foreign entity;

person **includes –**

- (a) a natural person;
- (b) a juristic person;
- (c) for the purposes of this by-law, any industrial or commercial undertaking; and
- (d) an organ of state;

**(this) By-law** means the Credit Control and Debt Collection by-law of the Municipality as reflected in the Schedule to this by-law;

**premises** means any portion of land situated within the municipal area of jurisdiction, and the outer boundaries of which are demarcated on –

- (a) a general plan or diagram registered in accordance with the Land Survey Act 8 of 1997 or the Deeds Registries Act 47 of 1937, as amended; or
- (b) a sectional title plan registered in accordance with the Sectional Titles Act 95 of 1986;

**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 by legislation; or
- (d) public service infrastructure;

**standard rate of interest** means a rate of interest equal to the prime rate as determined by the Reserve Bank of South Africa plus a percentage that the Council determines annually during the budgeting process;

**this by-law** includes the policy reflected in the Schedule; and

**water demand management meter** means a meter designed to manage the water consumption or needs of a residential property;

## 2. Duty to collect debts

All debts owing to the Municipality must be collected in accordance with applicable national and provincial legislation as referenced in this by-law.

## 3. Provision of services

New applications for services and the provision of new services must be dealt with as prescribed in this by-law.

## 4. Consumer services deposit

The Municipality requires the payment of a deposit for the provision of services. Any adjustment to the basic deposit will be determined by the debtor's municipal payment record, read with the definition of "consumer services deposit" in section 1.

## 5. Interest charges

The Municipality will charge and recover interest in respect of any arrear debt as prescribed by this by-law

## 6. Municipal staff and councillor arrears

- 6.1 Staff arrears will be handled in accordance with Schedule 2, item 10 of the Act as well as any procedures, method or actions referred to in this by-law. Notwithstanding any other procedure, method or action that may be taken in

terms of this policy, the Municipality will deduct any outstanding amount from the salary of staff members who may be in arrears for a period of 3 (three) months or longer.

- 6.2 In accordance with Schedule 1, item 12A of the Act, no municipal councillor may be in arrears more than 3 (three) months with any municipal service fees, surcharges on fees, property rates or any other municipal taxes, levies or duties levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this by-law, the Municipality will deduct any outstanding amount from such councillor's remuneration.

## 7. Arrangements to pay arrears

- 7.1 The Municipal Manager may make arrangements with a consumer to pay any arrear debt subject to the conditions prescribed in this by-law. Should any dispute arise as to the amount of the arrear debt, the consumer must nevertheless continue to make regular payments as per the arrangement until such time as the dispute has been resolved satisfactorily and in compliance with the provisions of this by-law, the policy and all other relevant legislation.

## 8. Agreement with employer

- 8.1 The Municipal Manager may –
  - (a) with the consent of a consumer who is in arrears with payments, enter into an agreement with that person's employer to deduct from their salary or wages –
    - (i) any outstanding amounts due by the consumer to the Municipality; or
    - (ii) regular monthly amounts as may be agreed upon; and
  - (b) provide special incentives for –
    - (i) employers to enter into such agreements; and
    - (ii) consumers who consent to such agreements.

## 9. Power to restrict or disconnect supply of services

- 9.1 The Municipality may restrict or disconnect the supply of any service to any premises whenever the consumer concerned –
  - (a) fails and or neglects to make payment on the due date;
  - (b) fails and or neglects to comply with an arrangement;
  - (c) fails and or neglects to comply with a condition of supply imposed by the Municipality; or
  - (d) damages the municipal infrastructure for the supply of such service and/or tampers with any meter used regarding that service.
  - (e) fails to apply for a new service reconnection under the new consumer's name within 14 days from death of the owner or previous consumer in a bid to mitigate council's risk.
- 9.2 The Municipality may reconnect the restricted or discontinued services only –
  - (a) after the arrear debt and all costs as prescribed in this by-law have been paid in full, and any or all other conditions have been complied with; or
  - (b) after an arrangement with the consumer has been concluded for payment of the amounts contemplated in subsection (a) above; and
  - (c) after the consumer has paid all levies as determined in the Municipality's Tariff Policy with regard to tampering and damaging of metering equipment

9.3 The Municipality may restrict, disconnect and/or discontinue any service in respect of any arrear debt.

#### **10. Recovery of debt**

- 10.1 Subject to section 7, with regard to rates the Municipal Manager must, and with regard to any other debt due and owed the Municipal Manager may –
- (a) recover any debt by legal action;
  - (b) recover debt from any organ of state with due consideration of the provisions of Chapter 3 of the Constitution;
  - (c) refer debt to third-party debt collection agencies if and when so required and subject to the operational capacity or requirements of Swartland Municipality's Finance Department; and
  - (d) use any lawful and reasonable measures of tracing debtors whose information is no longer valid or correct and/or has changed and where such debtor failed to provide the Municipality with reasonable written notification of a change of address and contact details; read with section 11(b).

#### **11. Recovery of costs**

Where costs are incurred by or on behalf of the Municipality in order to recover monies owed to it, the Municipal Manager may recover such costs, including but not limited to –

- (a) costs and administration fees where payments made to the Municipality by negotiable instruments have been dishonoured by banks when presented for payment;
- (b) legal and administration costs, including attorney-and-client costs and tracing fees incurred in the recovery of debts;
- (c) restriction, disconnection and reconnection fees, where any service has been restricted or disconnected as a result of noncompliance with this by-law;
- (d) any losses the Municipality may suffer as a result of tampering with municipal equipment or meters; and
- (e) any collection commission incurred.

#### **12. Attachment**

The Municipal Manager may, in order to recover debt, approach a competent court for an order to attach a consumer's movable or immovable property.

#### **13. Full and final settlement payments**

- 13.1 Any amount tendered in defrayment of a debt must be accepted at any cash-receiving office of the Municipality and by any and all duly authorised vendor points.
- 13.2 No offer of payment in full and final settlement of a debt may be accepted if such amount is less than the outstanding amount, unless confirmed in writing by the Municipal Manager.
- 13.3 Notwithstanding section 13.2, the payment so offered must be credited against the consumer's account without prejudice to the Municipality's rights.

#### **14. Consolidation of accounts and appropriation of payments**

14.1 The following arrangements apply in compliance with section 102 of the Act –

- (a) Any separate accounts of persons liable for payments to the Municipality may be consolidated at the Municipality's sole discretion.
- (b) A payment by such a person may be credited against any account of the person concerned.
- (c) Any of the debt collection and credit control measures provided for in this by-law may be implemented regarding any arrears on any of the accounts of the person concerned.

14.2 Section 14.1 does not apply where there is a dispute between the Municipality and a person referred to in sections 14.1(a) to (c) concerning any specific amount that the Municipality is claiming from that person.

#### **15. Indigent support**

The Municipality may grant financial assistance to persons who meet the criteria as laid down in the municipal Indigent Policy.

#### **16. Delegation**

The Municipal Manager and/or the Director: Financial Services may delegate and/or subdelegate their powers under this by-law to any official or service provider of the Municipality if and when so required and subject to the delegation register.

#### **17. Clearance certificates**

Upon the sale of any property the Municipality must issue the required clearance certificate as prescribed in this by-law and the policy, subject to settlement of any and all outstanding municipal accounts.

#### **18. Appeal**

A person whose rights are affected by a municipal decision regarding one or more delegated and/or subdelegated powers may appeal against that decision by notifying the Municipal Manager in writing of the intention to appeal and the reasons for doing so within 21 (twenty-one) days of the date of notification of the decision, as stipulated in section 62 of the Act.

#### **19. Offences, penalties and the power of entry and inspection**

A person who –

- (a) under section 101 of the Act, read with section 119(3), obstructs or hinders any municipal councillor or official in the execution of their duties under this by-law or the policy;
- (b) unlawfully uses or interferes with municipal equipment or consumption of services supplied;
- (c) tampers with any municipal equipment or breaks any seal on a meter or damages a meter;
- (d) fails to comply with a notice served in terms of this by-law or the policy;
- (e) refuses a municipal official access to any premises; or
- (f) gives false information regarding the supply of services or an application for assistance as an indigent with the intention to defraud or mislead,



will be guilty of an offence and, upon conviction, liable to payment of a fine or imprisonment, imprisonment without the option of a fine, or both a fine and imprisonment as determined by a competent court.

## **20. Repeal of by-laws**

The provisions of any municipal by-laws regarding credit control and debt collection are hereby repealed insofar as they relate to matters provided for in this by-law.

## **21. Short title and commencement**

This by-law is to be known as the Credit Control and Debt Collection By-law and came into effect on **1 July 2019**.

## **SCHEDULE**

### **SWARTLAND MUNICIPALITY CREDIT CONTROL AND DEBT COLLECTION POLICY**

In compliance with sections 95, 96 and 97 of the Local Government: Municipal Systems Act 32 of 2000, read with section 156 of the Constitution, Swartland Municipality hereby adopts the following Credit Control and Debt Collection Policy:

WHEREAS section 95 of the Local Government: Municipal Systems Act 32 of 2000 ("the Act") requires a municipality to:

- (a) establish a sound customer management system;
- (b) establish mechanisms for users of services and ratepayers to give feedback to the municipality regarding the quality of services;
- (c) take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from services are utilised by the municipality;
- (d) take reasonable steps to ensure accurate readings of consumption of services;
- (e) ensure that persons liable for the payment of services receive regular and accurate accounts that indicate the basis on which such services have been calculated;
- (f) provide accessible mechanisms by which persons can query and verify accounts and metered consumption, as well as appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- (g) provide accessible mechanisms for dealing with complaints, ensuring prompt replies and corrective action by the municipality;
- (h) provide mechanisms to monitor the response time in dealing with complaints as set out in (g) above; and
- (i) provide accessible pay points and other mechanisms for settling accounts or for making prepayments for services;

AND WHEREAS section 96 of the Act requires a municipality to:

- (a) collect all money that is due and payable; and
- (b) for the above-mentioned purpose must adopt, maintain and implement a credit control and debt collection policy;

AND WHEREAS section 97 of the Act requires the debt policy to provide for:

- (a) credit control procedures and mechanisms;
- (b) debt collection procedures and mechanisms;
- (c) indigent debtors;
- (d) realistic targets;
- (e) interest on arrears;
- (f) extended time for payment of accounts;
- (g) termination and/or restriction of services while payments are in arrears;
- (h) measures in case of unauthorised consumption of services, theft and damages;
- and
- (i) any other matters that may be prescribed by regulation under section 104 of the Act.

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## CHAPTER 1: DEFINITIONS AND OBJECTIVES

The definitions below must be read together with the definition of the by-law.

1. **Covid-19** means the name given by the World Health Organization (WHO) on February 11, 2020 for the disease caused by the novel coronavirus SARS-CoV-2. It started in Wuhan, China in late 2019 and has since spread worldwide. COVID-19 is an acronym that stands for coronavirus disease of 2019;

**Lock-down** means the confining of people to their homes or a state of isolation or restricted access instituted by the President as a preventative measure typically in order to manage a pandemic or any other disaster and to regain control of Covid-19;

**unprecedented** means it is in times of crisis that we are asked to question the accepted status quo and seek solutions outside the normal ambit of business as usual. In this vein, the pandemic caused by COVID-19 poses a unique challenge to both business and government to do things differently, with both parties already rising to the occasion. In the South African context, the urgency of the current crisis has broken down procedural barriers and opened doors to strong collaborative approaches, particularly between the Public and Private sector. The imperative in the coming weeks and months, as South Africa emerges from the lock-down, is to ensure that business in this country embraces a new normal.

### 2. Objectives of this policy

#### 2.1

The objectives of this policy are to –

- (a) focus on all outstanding debt due and payable to the Municipality;
- (b) provide for innovative, cost-effective, efficient, appropriate and relevant methods for credit control, debt collection and indigent relief;
- (c) promote a culture of good payment habits and create a sense of responsibility towards the payment of municipal accounts and reduction of municipal debt;
- (d) provide for the subsidisation of services to indigent households where applicable and/or on application by qualifying consumers;
- (e) to provide payment relief under certain conditions of crisis and during unprecedented periods and subject to relief being requested by a consumer; and;
- (f) Relief will be case specific, based on merit and for consumers affected by Covid-19

## CHAPTER 2: CUSTOMER CARE AND MANAGEMENT

### 3. Communication and the conveyance of information

- 3.1 In order to comply with sections 95(a) to (c) of the Act, the Municipality may –
  - (a) establish a customer care forum where community members and Council members may meet;

- (b) hold ward meetings where representatives of the Municipality and other service providers may consult with ward members and their ward representative; and
- (c) implement measures to ensure that consumers of municipal services or any other service, ratepayers and residents in general are properly informed about the delivery of services, in particular about the costs involved in service provision.

#### 4. **Measuring of municipal services and defective meters**

- 4.1 The Municipality must ensure that the consumption of electricity and water provided to consumers is measured by means of accurate and verifiable metering systems.
- 4.2 Meters must be read, as far as possible, at intervals of 1 (one) month or a period determined by the Municipality.
- 4.3 If for any reason meters cannot be read or have not been read, the Municipality is entitled to render an account statement based on the estimated consumption calculated on the average consumption during the 3 (three) months preceding the date on which the meter was last read; provided that the difference between actual usage and estimated usage must be set off as soon as a metered reading has been obtained. Reading of meters may not be possible under certain conditions of crisis whereby the Disaster Management Act was activated, whether nationally or provincially.
- 4.4 It may be assumed that the electricity or water usage registered by a meter has in fact been delivered; provided that, for any period that a meter is out of order, the electricity or water so delivered may be calculated according to the average usage during the 3 (three) months preceding the period in question.
- 4.5 Consumers may request a special meter reading against payment of the prescribed tariff.
- 4.6 Defective metering equipment must be handled as stipulated in the Municipality's by-laws regarding water and electricity supply.
- 4.7 The provisions of the by-laws mentioned in section 3.6 regarding defective metering equipment apply with the necessary changes.

#### 5. **Municipal accounts**

- 5.1 The Municipality must render a monthly account statement to consumers of municipal services. Postal delivery of an invoice or statement may during periods of disaster, such as a national or provincial period of lock-down, not be delivered.
- 5.2 The account statement must reflect the following –
  - (a) all outstanding amounts and the balance brought forward;
  - (b) amounts owing;
  - (c) total amount due; and
  - (d) meter readings, where applicable.

##### 5.3

In respect of account statements rendered to a consumer who is not the owner of the relevant property, and where a lease agreement exists between the owner and the tenant, the Municipality reserves the right to switch the account to the owner of the property upon expiration of the lease agreement.

##### 5.4

An account as contemplated in section 4.3 will be switched to the owner of the property if –

- (a) ownership changes; or
- (b) a tenant or occupier fails to pay the account on 3 (three) occasions, irrespective of the period of lease between the owner and the tenant.

##### 5.5

Section 4.4(b) applies also in the case of non-residential consumers.

##### 5.6

Where the owner of a block of flats fails to pay their account, the Municipality must notify the tenants of such failure and grant the owner 14 (fourteen) days to settle the account, failing which the Municipality may restrict or discontinue services to the premises.

##### 5.7

Upon switching of an account under sections 4.3 and 4.4 above, consumer service deposits paid by a tenant or occupier must be refunded to the relevant tenant or occupier after the final outstanding balance has been calculated.

##### 5.8

The Municipality will supply an owner who rents out property with a copy of the monthly account statement provided to the tenant or occupier of the property. The council will determine the cost of such duplicate statement annually and may debit the amount against the owner's account; provided that e-mailed account statements will be issued at no cost.

##### 5.9

An owner who leases out property must provide the tenant or occupier upon request with a copy of the monthly account statement rendered to the owner by the Municipality.

##### 5.10

The provisions of sections 4.3 and 4.4 do not apply to –

- (a) occupiers of municipal property under a lease agreement; or
- (b) state-owned property, where one department pays the rates and another pays the services account.

#### 6. **Enquiry, dispute and appeal**

##### 6.1 *Enquiries –*

- (a) Consumers may request the Municipality to review an account.
- (b) While an account is under review, the consumer concerned must pay an amount equal to the average usage for the preceding 3 (three) months, if the history of that account is available.
- (c) Should the history mentioned in subsection (b) above be unavailable, the consumer must pay an estimated amount before the due date until the matter has been resolved.
- (d) The Municipality must resolve the matter within 10 (ten) working days of receipt of such request and inform the consumer concerned of the outcome of the enquiry.

- (e) Failure to pay the amount determined under section 5.1(b) or (c) on or before the due date may result in the consumer's services being restricted or disconnected.

## 6.2 Disputes –

- (a) Consumers may dispute an account received, either in part or in full, in which case section 102 of the Act applies.
- (b) The provisions of sections 5.1(b) and (c) apply, with the necessary changes, to such disputes.

## 6.3 Appeals –

- (a) A person who feels aggrieved by a decision of the Municipality regarding delegated authority may appeal against that decision by means of written notice to the Municipal Manager within 21 (twenty-one) days of the date of notification of the decision, as stipulated in section 62 of the Act.
- (b) The grounds for appeal must be clearly set out by the aggrieved person or their duly authorised representative.
- (c) Where applicable, the costs incurred for testing any metering equipment must be included in the notice.

## 7. Payment facilities

- 7.1 The Municipality must provide and maintain strategically situated, accessible payment offices and cash points throughout its area of jurisdiction.
- 7.2 The following alternative payment facilities must also be provided or made available –
  - (a) electronic bank transfers (ACB system);
  - (b) internet transfers;
  - (c) direct deposits into the Municipality's approved bank account;
  - (d) payments at various accredited businesses and other agencies; and
  - (e) where available, credit and debit card facilities – up to R5 000 per municipal account per month, only in respect of residential property.
- 7.3 Where any of the alternative payment facilities are used, the onus is on the person using such facilities to provide proof of payment, and the Municipality does not accept liability for non-receipt of such payments, or for incorrect allocations which are due to a mistake on the part of that person.
- 7.4 Where payment is made by way of a direct deposit into the Municipality's approved bank account, the consumer must submit proof of the deposit before or on the due date.

## 8. Consolidation of accounts and appropriation of payments

- 8.1 The Municipality considers all separate accounts of a consumer to be consolidated as contemplated in section 102 of the Act, even if separate accounts should be rendered for such owner or tenant and including all prepaid services for which no account statement is issued.
- 8.2 Payments received by the Municipality will be appropriated in the order determined by the Municipality during the annual budgeting process.
- 8.3 The Municipality must appropriate payments received in date order – oldest debts first – by means of instalments as determined by the Council annually in order to prevent prescription, and must take care not to let consumers accrue

more debts by neglecting to appropriate a portion of such payment(s) to current accounts.

## CHAPTER 3: CREDIT CONTROL AND DEBT COLLECTION MEASURES

### 9. Application for municipal services

- 9.1 No person may receive or consume municipal services without the Municipality's approval.
- 9.2 The Municipality may render services to consumers in terms of special agreements where circumstances require special measurements.
- 9.3 Consumers who want to receive or use municipal services must apply in writing for approval as contemplated in section 8.1.
- 9.4 In respect of non-residential property where the consumers are not the owners, the owner must consent in writing to the services being supplied as requested.
- 9.5 Upon approval of an application for services to be provided, the Municipality must inform the applicant of the following –
  - (a) the various levels or standards of services available, and the applicable tariffs or fees payable in respect of each level of service;
  - (b) the due date for payment of all amounts owed to the Municipality;
  - (c) the service hours of cashiers where payments may be made, and the conditions for payment at vendor points;
  - (d) the various alternative payment facilities available, and the conditions and requirements relating to each;
  - (e) the Municipality's right to terminate or restrict water or electricity services in case of non-payment of an account **or any part thereof** or tampering with municipal metering equipment;
  - (f) the consumer's liability for any damages caused to metering equipment or other municipal property;
  - (g) the consumer's obligation to pay for services despite possible non-delivery of an account statement;
  - (h) the owner's liability for the occupier's or tenant's arrears for municipal services;
  - (i) the Municipality's right to consolidate the various accounts of a specific consumer;
  - (j) the Municipality's right to install a prepayment meter on a property where the electricity supply was disconnected because of non-payment or tampering, in which case the meter remains municipal property;
  - (k) the installation of prepayment meters being *encouraged* but subject to the owner's written permission, while debtors whose electricity supply has been disconnected three times for non-payment will be *compelled* to install a prepayment meter before the supply will be reconnected; and all energy dispensers being installed at the owner's or tenant's expense;
  - (l) the Municipality's right to install a water demand management meter on a property because of non-payment or tampering, in which case the meter remains municipal property;
  - (m) the Municipality's right to withhold or to limit units purchased for a prepayment meter or to offset a portion of any payment against arrears in case of non-payment of debt owed the Municipality;

- (n) the Municipality's right to levy interest on amounts not paid by the due date as stipulated on an account statement such interest will be charged and accrue from the 8th of each month;
  - (o) the Municipality's right to attach movable and immovable property;
  - (p) the Municipality's offering assistance to indigents; and
  - (q) the Municipality's having a client service charter.
- 9.6 The Municipality will be obliged to provide a specific level of a municipal service requested only if –
- (a) the Municipality already provides such level of service in the normal course of events; and
  - (b) the Municipality possesses the means and capacity to provide service at such level.
- 9.7 Consumers may apply at any time to change the level of a municipal service originally approved, provided that the level of service requested is available and that the costs and disbursements incidental to such change be borne by the applicant.
- 9.8 In the case of illiterate or similarly disabled persons, the Municipality must ensure that they are aware of and understand the contents of the application form and that they are assisted in completing it.
- 9.9 Should the Municipality –
- (a) refuse an application for the provision of municipal services or of a specific service or level of service; or
  - (b) not be in a position to provide such municipal service or level of service on the date on which it is requested; or
  - (c) not be in a position to provide such municipal service or level of service at all,
- the Municipality must inform the applicant of such refusal or inability to provide the service and the reasons for it.
- 9.10 Approval for the provision of services or any undertaking or arrangement under this policy does not constitute a credit facility contemplated in section 8(3) of the National Credit Act 34 of 2005 but is deemed to be incidental credit as contemplated in section 4(6)(b) read with sections 5(2) and (3) of the National Credit Act.

#### **10. Liability for payment**

- 10.1 A consumer who receives, uses or benefits from the services offered or rendered by the Municipality in terms of its functions as listed in schedules 4B and 5B of the Constitution is responsible for the payment of any monies due and payable to the Municipality in respect of such consumption or benefit.
- 10.2 If for any reason service charges have not been levied, the Municipality is entitled to issue an account statement as from the date of registration of such property at the Deeds Office.
- 10.3 Rental payable in respect of the letting of state-financed housing and other municipal property is payable by –
- (a) the person with whom the lease was concluded; or
  - (b) if no agreement of lease was concluded: the person who applied to rent the premises; or

- (c) if no such person can be identified: the head of the household occupying such premises; or
  - (d) any other person who accepts responsibility for the payment of rental due, whether they occupy the premises or not.
- 10.4 The responsibility for repaying housing loans rests on the person(s) with whom the loan agreement or instrument of debt has been concluded.
- 10.5 If an account is not paid in full, any lesser amount offered and accepted by the Municipality will not be regarded as full and final settlement of such account unless the Municipal Manager accepts such lesser amount in writing as being in full and final settlement of the account in question.
- 10.6 Non delivery of an account or an error on or omission from an account statement resulting from an administrative error on the part of Swartland Municipality does not exempt consumers from payment of any amounts owing to the Municipality.

#### **11. Due date**

Accounts for rates or services offered or rendered by the Municipality become due and payable as follows –

##### **11.1**

##### ***Rates –***

- (a) Rates become due and payable on 1 July of each year for which such rates are calculated.
- (b) The Municipality will recover rates levied in 12 (twelve) equal instalments that will be payable on the date indicated on the account statement.
- (c) The Municipality will recover the rates levied in a single amount by prior arrangement, in which case the amount is payable on the date determined by the Municipality in respect of annual payments at the end of October of the year in which the amount is levied.
- (d) Where property becomes taxable after 1 July of the Municipality's financial year, the rates levied become due and payable on the date of notice to the owner of their being liable for payment thereof.
- (e) The provisions of sections 10.1(b) and (c) will apply with the necessary changes in respect of rates levied under section 10.1(d).
- (f) Applications to pay rates in a single amount must be submitted to the Municipality before 31 May of each year.

##### **11.2**

##### ***Availability charges –***

- (a) Availability charges become due and payable on 1 July of each year for which such fees are calculated.
- (b) The Municipality will recover the availability charges levied in 12 (twelve) equal instalments that will be payable on or before the last working day of each month in respect of which payment must be made.
- (c) If a levy becomes payable after 1 July of a financial year, it becomes due and payable on the date of notice to the owner of their being liable for payment thereof.

##### **11.3**

##### ***Municipal services –***

Monies payable in respect of municipal services are due and payable on the date indicated on the account statement that is rendered each month, and payment must be made on or before the last working day of the month in which an account was delivered.

#### 11.4

##### *Rental or loan instalment –*

Payment of rental or loan instalments due in respect of state-financed housing or other municipal property must be made on the dates and in accordance with the provisions set out in the relevant lease or loan agreements.

#### 11.5

##### *Other fees or instalments –*

Payment of monies other than those contemplated in sections 11.1(a) to (e) and section 11.4 must be made on the date indicated on the account, which date will be no more than 30 (thirty) days after the particular service has been rendered.

## 12. Accounts in arrears

### 12.1

#### *Rates –*

- (a) If rates that are payable in a single amount remain unpaid after the due date, the Director: Financial Services will serve a written notice on the owner demanding payment within 14 (fourteen) days from the date of notification to remedy the default.
- (b) Upon failure to comply with a notice contemplated in subsection (a) above, the Director: Financial Services will institute legal proceedings to recover such rates, subject to the provisions of section 15.
- (c) If an owner who pays rates in monthly instalments defaults on payments, the Director: Financial Services will withdraw by written notice the owner's right to pay monthly instalments, in which event the full amount of outstanding rates becomes due and payable immediately.
- (d) If rates payable in monthly instalments are not paid in full within 12 (twelve) months after the date on which such rates became due and payable, the Director: Financial Services will act as set out in subsections (a) and (b) above.
- (e) Subsections (a) and (b) above apply also with regard to recovery of rates as contemplated in subsection (c).
- (f) Businesses and other consumers affected by the lock-down will be allowed arrangements of up to 6 months on arrear accounts unless otherwise dictated by council given the severity of the situation at hand. Current accounts are payable by the due date.

### 12.2

#### *Availability charges –*

Sections 11.1(c) and (d) apply, with the necessary changes, to owners who default on payments regarding availability charges.

### 12.3

#### *Municipal services –*

- (a) If a consumer fails to pay any amount or portion thereof regarding municipal services on the due date, the Municipality may –
  - (i) disconnect the electricity supply to the premises concerned;
  - (ii) restrict the water supply to such premises by installing a water demand management meter on the service connection, which will allow the passage of at least 6 (six) kilolitres of water per month or as permitted by such management meter;
  - (iii) install a prepayment meter where the electricity supply has been disconnected because of non-payment;
  - (iv) withhold or limit units purchased for a prepayment meter or to offset a portion of any payment against arrears as result of non-payment of debt owed to the Municipality.
- (b) Notice to a consumer in respect of an account in arrears or outstanding debt may be given via direct electronic media, including but not limited to e-mail, SMS or any other available method of electronic communication determined by the Council from time to time.
- (c) The Municipality may enter into an agreement with consumers who are unable to pay their account or a portion of it in terms of which agreement the consumer will be permitted to pay the outstanding amount in monthly instalments as determined annually by the Council.
- (d) Where applicable, the Municipality may enter into an agreement with a consumer's employer under section 103 of the Act.
- (e) Should a consumer fail to comply with the conditions contemplated in section 11.1(c) or (d), the Municipality may cancel the agreement and institute any of the debt collection measures provided for in section 11.3(a).
- (f) Should a consumer be served with an account that shows an amount payable that is exceptionally high as a result of –
  - (i) an act or omission on the part of the Municipality; or
  - (ii) a leakage from a water installation or electricity installation on the premises which is not part of the Municipality's service connection,
 the Municipality may enter into an agreement with the consumer to pay the amount owed in monthly instalments.
- (g) If more than 30 (thirty) days have expired after the due date without an agreement having been concluded as contemplated in section 11.3(c), the Director: Financial Services will institute legal proceedings against the consumer in accordance with section 15 for the recovery of the debt.
- (h) Should a basic levy, availability charge, rates or any other cost be levied on premises of which the owner cannot be traced, the Municipal Manager and the Director: Financial Services, in consultation with the internal auditor and the Executive Mayor, may cease such levies; provided that, should the owner be traced, such levies may be recovered retrospectively.

### 12.4

#### *Rentals or loan instalments –*

- (a) Interest payable on rentals or loan instalments in arrears will be levied in accordance with the provisions of the lease or loan agreement concerned.

- (b) Should rentals or loan instalments remain unpaid on or after the due date, a notice demanding payment as well as interest will be served on the person responsible for payment.
- (c) The Municipality may enter into an agreement with a consumer to pay the arrears by way of monthly instalments as set out in section 11.1(d), subject to the necessary changes.
- (d) If no agreement has been concluded to pay the arrears and such arrears should remain outstanding for more than 30 (thirty) days, the Director: Financial Services will take the steps set out in section 11.3(a).

## 12.5

*Other fees or instalments –*

Section 11.4 applies, with the necessary changes.

**13. Levying of interest**

## 13.1

The standard rate of interest must be levied and collected in respect of all amounts due and payable for each month; on the understanding that, for the purposes of calculation, a portion of a month will be regarded as a month. Such interest will be charged and accrue from the 8th of each month.

## 13.2

Interest is levied from the first working day following the date on which an amount in arrears has become payable.

## 13.3

The Director: Financial Services, Municipal Manager and internal auditor, in consultation with the Executive Mayor, may authorise such interest to be waived

**14. Disconnection and reconnection of services**

## 14.1

Services disconnected under section 11.3(a) will be reconnected only upon payment of –

- (a) the amount in arrears together with interest, or an amount according to a payment agreement under section 11.3(c);
- (b) the reconnection fees; and
- (c) any other fees stipulated in the Municipality's Tariff Policy.

## 14.2

The onus is on the debtor to request reconnection and to prove that the full amount owing was paid, or that a payment agreement was concluded.

## 14.3

Restricted or disconnected services will be restored within a reasonable time after the debtor has produced proof of payment of the required amount, and subject to the Municipality's capacity at the time to restore such service.

## 14.4

Services disconnected under section 22 will be reconnected only upon payment of –

- (a) the reconnection fees;
- (b) the cost of damages to equipment;

- (c) the replacement costs of damaged equipment; and
- (d) any other fees stipulated in the Municipality's Tariff Policy.

## 14.5

No standby service will be rendered instead of reconnection in case of non-payment or tampering with metering equipment.

14.6 During a period of lockdown as a consequence of a pandemic, reconnection of services may be required and disconnection of services may not proceed

**15. Payment of consumer services deposit**

## 15.1

A consumer as contemplated in subsections (b) and (c) of the definition of "consumer" in section 1 of this by-law must pay, upon application for municipal services, a consumer services deposit as determined by the Municipality before the requested services will be provided.

## 15.2

Should a consumer as contemplated in section 14.1 fail to pay the total outstanding debt for municipal services, or should services be disconnected or restricted as set out in section 11.3(a), the Municipality may increase the consumer services deposit.

## 15.3

The increase will be equal to the owner's average consumption over a period of 12 (twelve) months.

## 15.4

Should a consumer as contemplated in section 14.1 move to other premises within the area of jurisdiction of the Municipality, the deposit payable may be increased if such move should require that.

## 15.5

Should services be terminated upon a consumer's request, or should accounts be switched under section 4, the deposit may be utilised to cancel or reduce the owner's debt; the remainder, if any, will be refunded.

## 15.6

The Municipality may increase a deposit held under section 14.1 annually, which increase will be equal to the average of the services consumed over a period of 12 (twelve) months.

## 15.7

Should a consumer vacate the premises, the deposit will be forfeited and applied to settle any unpaid municipal accounts.

## 15.8

The Municipality is not liable for the payment of interest on deposits held.

**16. Institution of legal proceedings**

## 16.1

The institution of legal proceedings includes but is not limited to –

- (a) issuing summons for payment of amounts in arrears;
- (b) attachment of rent payable in respect of a property, where applicable;

- (a) attachment of a consumer's remuneration;
- (b) attachment and sale in execution of movable property;
- (c) attachment and sale in execution of immovable property; and
- (d) eviction of an occupier of any municipal property and/or attachment of an occupier's movable property in terms of a hypothec lien.

## 16.2

The institution of legal proceedings must be undertaken with due consideration of all legal requirements and in compliance with the applicable regulations and court rules as per the Magistrates' Court Act 32 of 1944 (as amended) and the Supreme Court Act 59 of 1959 (as amended).

## 16.3

Should a consumer's debt be less than R500 (five hundred rand) and older than 90 (ninety) days, the Director: Financial Services may decide whether –

- (a) the account should be handed over for collection; or
- (b) legal proceedings should be instituted against the consumer.

## 16.4

Should the debt be more than R500 (five hundred rand) and older than 90 (ninety) days, the Director: Financial Services may determine which of the judicial measures listed in section 15.3 will be the most appropriate and effective in the particular case.

## 17. Writing off of outstanding debt

This will be dealt with case by case upon the recommendation of the Director: Financial Services, and subject to approval by the Council.

## 18. Payment agreement criteria

## 18.1

Agreements to pay outstanding debts in legal suit by means of monthly payment agreements are made with reference to the following –

- (a) the debtor's income;
- (b) the debtor's employment status;
- (c) the total amount outstanding;
- (d) payment agreement concluded previously;
- (e) the debtor's socio-economic and/or other circumstances; and
- (f) the account history.
- (g) consumer's affected by Covid-19 due to the lock-down

## 18.2

Agreements to pay outstanding debt on account, not in legal suit but in current status by means of monthly payment arrangement are made with reference to the following –

- (a) the debtor's income;
- (b) the debtor's employment status;
- (c) the total amount outstanding;
- (d) the debtor's socio-economic and/or other circumstances;
- (e) the account history.
- (f) consumer's affected by Covid-19 due to the lock-down

## CHAPTER 4: GENERAL PROVISIONS

### 19. Collection costs

All legal costs, disbursements, collection commission and any other expenses incurred by the Municipality in order to recover monies owing by a consumer will be debited against the relevant account and collected from the person responsible for it.

### 20. Dishonoured payments

## 20.1

Should any payment by means of a negotiable instrument be dishonoured by a bank, the Municipality will levy costs and administration fees on the account concerned.

## 20.2

Should cheque payments be dishonoured for a third time within a financial year, the Municipality will accept no future payments per cheque from the owner or tenant concerned.

### 21. Access to premises and the power of inspection

Authorised officials of the Municipality or of a service provider have access to premises at all reasonable hours for the purposes of implementation under this policy; provided that the official concerned must provide the necessary identification upon request by the owner, tenant and/or lawful occupant, and also to the unlawful possessor or holder of the property.

### 22. Safe accommodation of service connections and appliances

Consumers are responsible for safely accommodating any service connections, meters, stopcocks and appliances and equipment for the safeguarding of services on their premises, and are liable for any costs or losses incurred or damages suffered by the Municipality in this respect that result from the consumer's failure to fulfil the aforementioned responsibility.

### 23. Unauthorised use of services

## 23.1

A consumer who –

- (a) uses or gains access to municipal services without approval under section 8.1; or
  - (b) tampers with, breaks or damages any seal, or removes any appliance or equipment which has been installed to measure, provide or restrict the supply of services,
- will be held liable for payment regarding any unauthorised consumption of services.

## 23.2

The Municipality has the right to disconnect water or electricity supply to premises if –

- (a) such services are used without approval as contemplated in section 22.1(a); and



- (b) metering equipment has been wilfully damaged or tampered with as contemplated in section 22.1(b).

## 23.3

Without prejudice to the Municipality's right to institute criminal proceedings, a consumer who tampers with or damages any appliance or equipment as contemplated in section 22.1(b) is liable for the costs contemplated in section 13.4.

## 23.4

In the case of tampering with or damaging of any metering equipment, the owner will held responsible for such tampering or damages unless the owner can prove otherwise.

## 24. Signing and certification of documents

Any order, notice or other document which needs to be signed or certified by the Municipality is to be regarded as duly signed and certified if done by the Municipal Manager or a duly authorised municipal official.

## 25. Prima facie evidence

In lawsuits initiated by the Municipality, the court may accept the mere submission of a certificate reflecting the amount due and payable to the Municipality and signed by the Municipal Manager or a duly authorised municipal official as prima facie evidence that the amount is indeed due.

## 26. Clearance certificates

## 26.1

Upon the sale of any property the Municipality will withhold the clearance certificate required under section 118(1) of the Act until all amounts have been fully paid that became due and payable in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the 2 (two) years preceding the date of application for the certificate.

## 26.2

All payments must be allocated to the seller's municipal accounts, and all refunds will be made to the seller.

## 26.3

No interest will be paid in respect of such payments.

## 26.4

The clearance certificate validation period is stipulated to be 120 (one hundred and twenty) days under section 118(1) of the Act, and the amount due must be calculated as follows –

- (a) applications received on 30 June must include 3 (three) months' advance payments;
- (b) applications received on 1 July must include –
  - (i) rates and availability charges in advance for the full financial year; and
  - (ii) 3 (three) months' advance payments for water, electricity, sewerage services and refuse removal;

- (c) all other applications must include 3 (three) months' advance payments.

## 26.5

Payments under section 25.4 must include all outstanding debts due and payable regarding the property.

## 26.6

Under section 118(3) of the Act an amount due for municipal services, surcharges on fees, property rates and other municipal taxes, levies fees and charges is a charge upon the property regarding which the amount is owed, which enjoys preference over any mortgage bond registered against the property.

## 26.7

The amount owing is for the account of the registered owner regardless of who incurred the debt.

## 26.8

The Municipality may obtain a court order to sell any property in execution to recover outstanding debt due and payable as set out in the court order.

## 27. Offences and penalties

## 27.1

The following are offences and in contravention of this policy –

- (a) read with section 20: to refuse, obstruct or hinder access to their property to a duly authorised municipal official wishing to exercise their power to perform a municipal function or duty; or
- (b) read with sections 22.1(a) and (b) and 22.4: to use unlawfully or to interfere with, tamper or damage municipal equipment.

## 27.2

A tampering fee applies to the offences mentioned in section 26.1.

## 27.3

Council may decide on further legal remedies, which may include criminal prosecution.

# **SWARTLAND MUNICIPALITY**

## **INDIGENT POLICY**

**REVIEWED**

**MARCH 2021**

### **Preamble**

Whereas section 96 of the Local Government: Municipal Systems Act, 32 of 2000 ("The Act") requires a municipality to adopt, maintain and implement a credit control and debt review policy which is consistent with its rates and tariff policies and complies with the provision of the Act.

And whereas section 97 (c) of the Act further requires that such policy must provide for "Provision of indigent debtors that is consistent with its rates and tariff policies and any national policies on indigents"

And whereas section 15 of the Credit Control and Debt Collection by-law ("The By-law") of the Swartland Municipality provides that financial assistance may be granted by the municipality to person/s that meet the criteria as laid down in this indigent policy.

Now therefore the Municipal Council of the Swartland Municipal adopts and confirms the Indigent policy as set out in this document.

### **Constitutional Framework**

Section 156 of the Constitution of the Republic of South Africa, 1996 ("The Constitution") provides amongst other for the following:

A municipality has executive authority in respect of, and has the right to administer—

The local government matters in part B of Schedule 4 and part B of Schedule 5. These services include water, electricity, sanitation and refuse removal.

In terms of section 227 of the Constitution, local government is entitled to an equitable share of nationally raised revenue to enable it to provide basic services and perform the functions allocated to it. The local government equitable share is an unconditional transfer that supplements the revenue which municipalities can raise themselves (including revenue raised through property rates and service charges). The equitable share provides funding for municipalities to deliver free basic services to registered poor households and subsidises the cost of administration and other core services.

In order to achieve the objective cited above the Swartland Municipality receives an annual Equitable Share from National Government and elected that the bulk of this Share may be utilised to finance those basic services to households who qualify in terms of this Indigent policy and for the express purpose of poverty alleviation and dignified living conditions.

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## 1. Definitions

In this policy, unless the context indicate otherwise–

**"account"** includes–

- (a) levies, surcharges or service charges in respect of the following services:
  - (i) electricity consumption;
  - (ii) water consumption;
  - (iii) refuse removal;
  - (iv) sewage services;
- (b) rates;
- (c) rental;
- (d) loan instalments
- (e) interest on arrears;
- (f) any other levies and money owing to the Municipality;

and **"municipal account"** has a corresponding meaning;

**"arrears"** means any amount due and payable to the Municipality which has not been paid on or before the due date for payment;

**"Applicant"** means, registered homeowner, occupant or child headed household who makes a formal written application on the prescribed form required for the indigent subsidy and for purposes of clarity exclude those instances in 2014 where the subsidy was allocated automatically with the criteria only being the property value of ≤ R 115 000.00;

**"child-headed household"** means a household where both parents are deceased and where all the occupants of the property are children or beneficiaries of the deceased or any other previous occupant and are younger than 18 years old, i.e. a child-headed household is a household consisting only of children;

**"household"** means a registered homeowner, or occupant with or without children who reside on the same premises inclusive of the definition of a child headed household;

**"illegal practises"** means any practise or trade exercised on premises which is in contravention of any National or Provincial legislation or any by-laws or regulations of the municipality;

**"household income"** means any form of income whether as a full-time or part-time employee which shall include old age grants (Old persons grants) and social disability grants, but exclude foster care grants and child support grants; and shall be known as the combined income of the household;

**"indigent household"** means a household, including a child-headed household, registered as such with the Municipality lacking the necessities of life which –

- (a) complied with the property threshold criteria as set in 2014 until such time that an audit or in-loco inspection is performed or re-application is made ;or
- (b) qualifies per the requirements set in paragraph 3; or
- (c) still qualifies as per an audit or an in-loco inspection as referred to in paragraph 4; and
- (d) occupies property within the boundaries of the jurisdiction of the municipality; and
- (e) includes all persons who live in the property;

**“Covid-19”** means the name given by the World Health Organization (WHO) on February 11, 2020 for the disease caused by the novel coronavirus SARS-CoV-2. It started in Wuhan, China in late 2019 and has since spread worldwide. COVID-19 is an acronym that stands for coronavirus disease of 2019;

**“Lock-down”** means the confining of people to their homes or a state of isolation or restricted access instituted by the President as a preventative measure typically in order to manage a pandemic or any other disaster ;

**“Member”** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, and shall include adoptive relationships;

**“municipality”** means the Swartland Municipality established in terms of Section 21 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, councillor, duly authorized agent or any employee acting in connection with this policy by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councillor, agent or employee;

**“municipal services”** means the provision of water and electricity, the removal of domestic waste, the disposal of sewage or any one combination of these services;

**“municipal valuation”** means the value of the property as determined in terms of the Property Rates Act, 6 of 2004;

**“occupier”** means any person who occupies any property or part thereof or has control over such premises, without taking cognisance of the title in which such person occupies the property;

**“official”** means any municipal official in the Credit Control Department whether as a permanent employee or under a temporary contract or intern;

**“owner”** in relation to immovable property means –

- (a) the person in whom is vested the legal title thereto provided that –

- (i) the lease of immovable property which is leased for a period of not less than fifty years, whether lease is registered or not, shall be deemed to be owner thereof, and
- (ii) the occupier of immovable property occupied in terms of a service or right analogous thereto shall be deemed the owner thereof;
- (b) if the owner is deceased, insolvent, has assigned his or her estate for the benefit of his or her creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, then the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be;
- (c) if the owner is absent from the Republic or if his or her address is unknown to the municipality, then any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property; or
- (d) if the municipality is unable to determine who such person is, then the person who is entitled to the beneficial use of such property;
- (e) if the owner is deceased and the family or a member on behalf of the family issues an affidavit that the occupier are the legal benefice of the estate;

**“pre-payment electricity meter”** means a type of electricity meter that requires consumers to pay for energy before using it and that will allow the flow of the pre-purchased amounts of energy in an electrical circuit;

**“property”** means any portion of land, of which the boundaries are determined within the jurisdiction of the Municipality;

**“Property Rates Act”** means the Local Government: Municipal Property Rates Act, 6 of 2004 as amended from time to time;

**“water demand management meter”** means a device designed to manage/restrict the water flow, water consumption or water needs of a residential or any other property.

## 2. Qualification of automatic indigent approvals granted in 2014 based on the property valuation threshold of ≤ R 115 000.00( which includes the impermissible tax of R 15 000) as the single qualification criteria:

- (1) Indigent households who qualified as a result of the threshold value in 2014 are deemed to still qualify for the subsidy due to the limited audits done as a consequence of the very limited staff resources in the department dealing with indigent subsidies (this however does not justify that indigent households who do not qualify, still receiving same as this directly disadvantage deserving households).
- (2) Council has the responsibility to act within the interest of all its citizens and to equitable and fairly ensure that those households who are able to pay for services does so and only those deserving families received the free basic services.

- (3) Indigent households will therefore be required to re-apply for their free basic services in a bid to avoid that council proceed with the cancellation of their subsidy.
- (4) Council is acutely aware of the social demise this could cause, and therefore;
- (a) Council will certainly apply the principles of The Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ("PAJA") that gives effect to the right to administrative action that is lawful, reasonable and fair; and
- (b) Affected indigent households will have until 31 July 2022 to re-apply for the free basic services component before council formally proceed with the cancellation of subsidies where such re-application was not made on or before the closing date.

### 3. Qualification criteria for financial assistance where an application was or is made

- (1) Financial assistance may be granted by the municipality to a household that meets the following criteria:

*(a) where the property occupied by such owner is valued at R105 000.00 or less, or as determined by council annually, provided that the R15 000.00 exemption as contemplated in section 17(1)(h) of the Act shall be excluded from the R105 000.00 and the combined income of the occupants of the property does not exceed R4 515.00;*

*(b) where the property that is occupied by the owner is valued at more than R105 000.00, but the combined income of the occupants does not exceed R4 515.00; or*

*(c) where the occupier is not the owner of the property and the combined income of the occupants does not exceed R4 515.00; and*

*where it is found that a state official is resident on a property the indigent subsidy will not be granted or cancelled as the case may be.*

- (2) The Director: Financial Services may increase the income limitation in sub paragraph 1 where extraordinary circumstances prevail, such as—

- (a) where a large number of the persons living in the property are without any income;
- (b) where they have to care for dependents or family members who are handicapped or who suffer from chronic or terminal illness; or
- (c) where elderly persons reside with an income that does not exceed an amount that is equal to or less than twice the age grant paid by the Government to qualifying beneficiaries as from time to time determined by the Minister of Social Development.

- (3) The applicant must be a resident of the municipal area of jurisdiction. (the applicant must be a South Africa citizen with valid South African identity documentation or in the case where such applicant is not a South African citizen then such applicant should possess a valid foreign national resident status and should be resident within the jurisdiction of the municipality.

- (4) The applicant must either receive the municipal services and be registered as an account holder on the municipal financial system or be a beneficiary of the estate of the owner or be the occupier who has the consent of the owner or executor of the estate.

- (5) For purposes of a service connection and updating of the indigent register only the lawful beneficiary's information will be included on the financial system due to and as a consequence of the lengthy processes of winding up of the estate of the owner for purposes of regularizing the occupants in a bid to have the correct information on the financial system that coincides with the indigent register

- (6) The applicant, applicant's spouse or legal children who reside with their parents may not be the legal owners of other immovable property

- (7) If the applicant is a seasonal worker the income limits shall be calculated over a period of one year to approximate a monthly income. (ie:seasonal workers with a 6 months contract, as a yearly with an average monthly income @ R2500-00 monthly  $6 * R2500-00 = R15000-00 / 12 \text{ months} = R1250-00$ )

- (8) Households that are child headed, can apply for financial assistance when—

- (a) the parents of the household has died;
- (b) a minor has assumed the role of care giver in respect of another minor in the household;
- (c) the main caregiver of the household is younger than 18 years of age; or
- (d) such minors reside permanently on the property, the situation pertaining to the household must be verified in writing by a registered Social Worker and Ward Councillor.

- (9) The onus for financial assistance rest with the occupier or household who cannot afford to pay the full municipal tariff for municipal services received.

- (9) An application shall be accompanied by the following documentation

- (a) duly completed application on the prescribed form signed in full by the applicant (this shall not be applicable when adhoc audits and in loco visits are conducted by a municipal official or it's duly appointed agents from time to time unless re-application is required in terms of this policy);
- (b) certified copies of all occupants' identity documents, whether it be a SA identity document or a valid foreign national identity document; (where re-applications and audits are conducted during in loco visits non-certified copies

will suffice, and written confirmation from the official and agent that he/she cited the original document will be accepted)

- (c) proof of income, or an affidavit confirming unemployment status;
- (d) three months bank statements for working members of a household where a banking accounts exist;
- (e) particulars of any other grants received by the occupants;
- (f) any other proof of ownership or residence which excludes municipal accounts; (where applicable)
- (g) birth certificates where necessary, and most notably in the case of child headed households as determined by the Head: Legal and Credit control;
- (h) all pay cards or any proof that the applicant is a SASSA recipient ;
- (i) a marriage certificate (where applicable), with the proviso that the Head: Legal and Credit Control may in his/her sole discretion, and on good cause or any extraordinary circumstances, consider less of the above.

**4. Accepted qualification criteria for indigent households being audited inclusive of those indigent households that qualified under the 2014 property threshold criteria and in order for an indigent household to receive ongoing subsidy, the following will be sufficient:**

- (a) an audit report completed by a duly authorised official or duly appointed agents from the Credit Control Department; or
- (b) an ITC report and any other documentation confirming the status of the occupants with the proviso that the Head :Legal and Credit Control may in his/her sole discretion, and on good cause or any extraordinary circumstances, consider more or less of the above.

**5. Appropriation of financial assistance**

- (1) Subject to sustainability and affordability, financial assistance to an indigent household shall be appropriated as follows –
  - (a) 50 kWh electricity per month; which shall include the basic charge of electricity for the month where a conventional meter is applicable;
  - (b) sanitation fees or the fees payable in respect of the pumping of a suction tank to an amount equal to the tariff determined;
  - (c) fees for waste removal;
  - (d) 6 kl water per month; which shall include the water network charge for the month; and
  - (e) rates payable to a maximum amount calculated at the tariff multiplied by R105 000,00 or less, provided that the R15 000.00 exemption as contemplated in section 17(1)(h) of the Act shall be excluded ,
- (2) sewerage blockages for indigent households will be subject to a reduced sewerage service fee as determined by the director of finance and subject to the municipality's rates and tariff policies.
- (3) The municipality may, annually during the budget process, revise the financial assistance given to indigents.

**6. Free bulk services**

- (1) Free bulk services shall be the provision of services (water stand pipes, high mast lighting and refuse removal) to informal settlements.
- (2) The cost of the provision of free bulk services is recovered from the and in the case of water recovered per the Tariff Policy and approved tariffs from the Equitable Share Allocation by National Government.

**7. Excess usage of allocation and arrear municipal accounts**

- (1) If the level of consumption of the indigent household exceeds the consumption level provided by the municipality, the household will be obliged to pay for the excess consumption on a monthly basis. Such accounts will be subject to the municipality's credit control and debt collection measures.
- (2) If the level of consumption or use of a municipal service is less than the subsidized service, the unused portion shall not be transferable from one month to another.
- (3) The municipality reserves the right to install a prepaid electricity meter on a property that is occupied by an indigent household, where the electricity supply has been disconnected for non-payment or tampering, or where the electricity usages are excessive and not affordable, in which case the meter remains the property of the municipality.
- (4) The municipality may withhold or limit the units purchased for a prepayment electricity meter or offset a portion of any payment against arrears as a result of non-payment of the municipal account in the case of excess consumption, therefore—
  - (a) the municipality may in the above instance if and when so decided allow only 20% for pre-paid electricity use when a payment is made towards an outstanding pre-paid electricity account of an indigent consumer whose arrears accounts was provisionally suspended. During the period of lock-down due to Covid-19 limitation on the purchase of pre-paid electricity will be suspended (until such time that the disaster is lifted whether nationally or provincially).
  - (b) such consumers can only purchase pre-paid electricity from the local municipal office - this is applicable to indigent households only.
- (5) The municipality reserves the right to install a water demand management meter on a property that is occupied by an indigent household and located in an area where Eskom is the service provider, or for non-payment or tampering, or where the water usages are excessive and not affordable, in which case the meter remains the property of the municipality. The installation of water demand management meters will be suspended during the period of lock-down due to Covid-19 (until such time that the disaster is lifted whether nationally or provincially).

- (6) The cost of the replacement of a conventional electricity meter with a prepayment electricity meter, as well as the cost of the installation of a water demand management meter on a property, will be recovered from the Equitable Share Allocation received from National Treasury.

## 8. Processing and verifications of applications

- (1) The application for financial assistance will be registered and the information of the indigent beneficiaries will be contained in an indigent register.
- (2) The indigent register, together with the applications and required documentation will be maintained with due consideration of the Protection of Personal Information Act, 4 of 2013.
- (3) The municipality reserve its rights, when deemed necessary and subject to capacity, to conduct audits to verify the authenticity of the information furnished or possible changes in the status of applicants.
- (3) The audit process will not be limited to house visits only, but may include any reasonable and lawful measures to confirm the current status of an applicant and or indigent household.
- (4) The frequency of such audits will depend on the institutional capacity and subject to the discretion of the Director of Financial Services. Audits during the period of lock-down due to Covid-19 will be suspended ( until such time as the state of disaster is lifted whether nationally or provincially).
- (5) Any official from the Credit Control Department including it's appointed agents are herewith duly authorised in terms of this policy to conduct audits or in-loco inspections to indigent households and to provide such audit reports as referred to in paragraph 4.

## 9. Cancellation of financial assistance/ or request for deregistration of subsidy

- (1) All steps necessary must be taken to prevent unlawful access to financial assistance as an indigent household, and for this reason the Director: Financial Services may—
  - (a) at any time, investigate the financial circumstances of an indigent household;
  - (b) request documentary proof or information pertaining to the income or lifestyle of the household;
  - (c) verify the information furnished by a household or member by;
    - (i) conducting interviews with; and
    - (ii) the taking of statements from such member or any other person; and

- (d) after proper notice, review, suspend or cancel the indigent household's financial assistance if illegal practises are present on the premises which include, but are not limited to –
  - (i) building operations without approval;
  - (ii) business or commercial uses in contravention of the Town Planning Scheme Regulations;
  - (iii) dealing in liquor or prohibited substances;
  - (iv) false information had been furnished in an effort to obtain or retain financial assistance; or
  - (v) circumstances have changed to such an extent that the indigent household no longer complies with one or more of the requirements mentioned in paragraph 2.

- (2) In case of cancellation of financial assistance in terms of paragraph .1 the indigent household shall forfeit all financial assistance with immediate effect and the municipality shall be entitled to re-claim the financial assistance granted to the indigent household, by giving formal notice to the affected household within 48 (forty eight) hours of such decision –
  - (a) from the date it was originally granted where sub paragraph .1 (d) (i) & (ii) applies; or
  - (b) from the date on which the circumstances referred to in sub paragraph .1 (d) (iii) - (v) changed or, if such date cannot be determined, from the date on which it was established that the owner or tenant no longer complied with the qualifying requirements.
- (3) An indigent household, whose indigent support has been suspended or cancelled, shall at the discretion of the Head: Legal and Credit Control , be reconsidered for support if the circumstances leading to the suspension or cancellation have been rectified.
- (4) An indigent household should immediately or as soon as reasonably possible request deregistration of the subsidy when the household's circumstances have change and the need for the subsidy is no longer required or the household no longer qualify for the subsidy in terms of the qualifying criteria of the policy (this relates to the duty that rest on the indigent household of keeping the municipality informed).

## 10. Duration of Indigent Subsidy

- (1) All subsidies will be granted and processed on the municipality's financial system based on the income profile or any such criteria required by this policy.
- (2) Subsidies are not approved indefinitely and in this regard the municipality reserves the express right to cancel same should information become available that justifies cancellation.
- (3) Reasonable notice will be given to the affected indigent households in this regard, prior to cancellation.

#### **11. Irrecoverable Debt**

- (1) Debt will only be written off as irrecoverable if it has been approved by council.
- (2) Once an indigent application has been registered council may consider writing off such debt

#### **12. Legal Process**

No legal process will commence against any indigent household for outstanding debt as long as such household is recognised as an indigent household in terms of this policy.

#### **13. Appeals Process**

The Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ("PAJA") gives effect to the right to administrative action that is lawful, reasonable and fair, therefore all persons whose indigent subsidy was terminated for whatever reason shall be given the right of appeal and will be required to either make formal written submission; or those who may not read or write can visit the municipal office credit control and make formal oral submissions to the designated officials.

#### **14. Short title and commencement**

This policy is the Indigent Policy of Swartland Municipality which came into effect on 1 July 2017, suffice for the subsequent revisions and the automatic approvals granted in 2014 deemed to still qualify subject to the further provisions set herein.





**SWARTLAND  
MUNICIPALITY**

**CASH MANAGEMENT AND  
INVESTMENT POLICY**

**Reviewed and Amended**

**March 2021**

**PREAMBLE**

*Whereas* section 13 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) determines that a municipality must introduce an appropriate and effective cash management and investment arrangement;

*and whereas* a bank, in accordance with the provisions of section 13 of the Act, has to disclose details regarding a municipalities' investments;

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

*now therefore* the Swartland Municipality adopts the cash and investment management policy set out in this document.

The use of cheques will be disallowed as of 1 January 2021. This is due to the fact that banks no longer accept cheques as legal tender. Since this policy covers both the period post and pre facto, all references pertaining to cheques have been retained in the current year, but would be removed in the future. Such instances are marked with an \* asterisk.

## CASH MANAGEMENT AND INVESTMENT POLICY

### DEFINITIONS

For the purpose of this policy any word or expression to which a meaning has been assigned in the Act shall bear the same meaning in this policy and, unless the context indicates otherwise, means:–

**“Accounting Officer”** is a person appointed by the Municipality in terms of Section 82 Of the Local Government: Municipal Structure Act, 1998 (Act No. 117 of 1998) and who is the head of administration and also the Municipal Manager of the Municipality

**“Cashiers”** are any municipal official appointed to receive cash or any other form of payment(s) on behalf of Swartland Municipality at any of the receipting points within the Swartland Municipal area.

**“Chief financial officer”** an officer of a municipality designated by the municipal manager to be administratively in charge of the budgetary and treasury functions.

**“Councillor”** a member of a municipal council.

#### **“Current assets”**

- debtors;
- cash;
- inventories; and
- the short-term portion of long-term debtors.

#### **“Current liabilities”**

- creditors;
- bank overdrafts and
- short-term portion of long-term liabilities

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

**“Municipal Manager”** is the Accounting Officer appointed in terms of section 82 of the local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) and includes any person –

- (a) Acting in such position

**“Municipality”** is the institution that is responsible for the collection of funds and the provision of services to the customers of Swartland; and

**“Municipal Official or Official”** any employee of the Swartland Municipality;

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

**“Negotiable certificate”** a loan certificate that is tradable on the capital market.

**“Net current assets”** is the difference between current assets and current liabilities.

**“Provisions”** are estimated credit obligations based on past events. Provisions differ from other liabilities due to the uncertainty of the timing of payment or the amount due.

**“Public funds”** all monies received by the municipality to perform the functions allocated to them.

**“Short-term portion of long-term debtors”** refers to the capital installments of long-term debtors due and payable in the next financial year.

**“Short-term portion of long-term liabilities”** refers to the capital repayment of long-term loans due and payable in the next financial year.

## OBJECTIVES

2. (1) The objectives of a cash management and investment policy are:-
- (a) to give effect to the provisions of Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Regulation R308 as published in Government Gazette 27431 of 1 April 2005 read in conjunction with the provisions of the cash management and investment policy of the Swartland Municipality;
  - (b) to manage the net current asset requirement of the municipality in such a manner that it will not tie up the municipality's scarce resources required to improve the quality of life of the citizens;
  - (c) to manage the financial affairs of the municipality in such a manner that sufficient cash resources are available to finance the capital and operating budgets of the municipality; and
  - (d) to gain the highest possible return on investments, without incurring unnecessary risk, during periods when excess funds are not required for capital or operational purposes.

## SCOPE OF THE POLICY

3. (1) The policy deals with-
- (a) responsibility/accountability;
  - (b) management of net current assets;
  - (c) investment instruments;
  - (d) investment ethics and principles;
  - (e) investment procedures;
  - (f) other external deposits;
  - (g) control over investments;
  - (h) short title.

## RESPONSIBILITY/ACCOUNTABILITY

4. (1) The municipal manager as the accounting officer of the municipality is accountable for cash management and investments.
- (2) The Municipal Council is the trustee of the public revenues, which it collects, and therefore has an obligation to the community to ensure that cash resources are managed effectively and efficiently. The Council also has a responsibility to invest these cash resources knowledgeably and judiciously/ sensibly/ wisely, and must be able to account fully to the community in regard to such investments.
- (3) The Municipal Council must establish an appropriate policy with prescribed procedures, processes and systems required to ensure efficient and effective management of cash and investments. The Municipal Manager must review the Cash Management and Investment policy annually and, if amended, submit it to Council for approval.
- (4) Efficient and effective management include:-
- (a) collecting revenue when it is due;
  - (b) banking and depositing monies on a daily basis;
  - (c) making payments, including transfers to other levels of government and non-government entities, no earlier than necessary, with due regard for efficient, effective and economical service delivery and the creditor's normal terms for account payments;
  - (d) avoiding pre-payment for goods or services (i.e. payments in advance of the receipt of goods or services), unless required by the contractual arrangements with the supplier;
  - (e) accepting discounts for early payments when the payments have been included in the monthly cash flow estimates for each department and supplied to the chief financial officer;
  - (f) pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the municipality are collected and banked

promptly;

- (g) accurately forecasting the municipality's cash flow requirements;
- (h) timing of in- and outflow of cash;
- (i) recognising the time value of money;
- (j) taking any other action that avoids locking up money unnecessarily and inefficiently, such as managing inventories to the minimum level necessary for efficient and effective programme delivery, and selling surplus or under utilised assets; and
- (k) avoiding bank overdrafts.

## MANAGEMENT OF NET CURRENT ASSETS

5. (1) Cash management includes the management of net current assets which entail:-
- (a) debtors;
  - (b) cash;
  - (c) stock;
  - (d) short-term portion of debtors;
  - (e) creditors;
  - (f) bank overdraft;
  - (g) provisions; and
  - (h) short-term portion of liabilities.

### Debtors

- (2) The municipal council must set a target for debt collection based on the performance of the municipal manager during the last financial year.
- (3) The target must be expressed as a percentage of potential income and/or the turnover rate of debtors.
- (4) All monies owing to the council must be correctly reflected in the debtors system.
- (5) All funds due to the council must be collected timeously and banked within 3

working days after receipt.

- (6) Extension for payment of rates and service charges must only be given in terms of the municipality's credit control and debt collection by-law and in exceptional circumstances.
- (7) Monies collected by other agencies on behalf of the municipality shall be collected and paid over to the municipality or deposited in the bank account of the municipality in a manner prescribed by the Municipal Manager and as agreed upon by way of a written agreement between the municipality and the agency concerned.

### Receipt of money over the counter

- (8) Every amount of payment received by a cashier or other officer responsible for the receipt of money shall be acknowledged at once by issuing a numbered official receipt. Direct deposits (EFT's) will reflect on the debtor's statement. Receipts for direct deposits will not be sent to debtors.
- (9) Receipts that are cancelled will be reattached in the correct place in the receipt book by means of glue. Information on both the original as well as the copy must be visible and a reason for the cancellation stated.
- (10) Where computer generated receipts are used the original must be filed for audit purposes.
- (11) The Cashier must compile a daily balance of all cash collected. Surpluses and shortages must be indicated as such. Shortages must be paid in on completion of the reconciliation (including a recount) by the Chief Clerk or as soon as possible afterwards. Cash must be banked according to prescribed/ approved arrangements.

### Receipt of Money by Post

- (12) When money (including postal orders and \* cheques) is received by mail or over the counter at the Registry Office, the Registry Clerk shall record all

payment remittances electronically as and when received in the \* cheque register on the Collaborator system. The entry is released by the Administrator, Records & Archives as witness that the money/ \* cheque/ postal order has been received.

- (13) \* Post-dated cheques received by mail must also be recorded in the electronic cheque register.
- (14) The \* cheque/ postal order with the relevant supporting documents are scanned and entered into the Collaborator system and forwarded to the Chief Clerk: Cashiers. The documents are posted in the "Inbox" of the Chief Clerk and when opened it is electronically recorded as received.
- (15) The Registry Clerk must physical handover the \* cheque/ postal order/ cash to the designated official in the finance section (Chief Clerk's Office: Cashiers) whom will on receipt of the \* cheque register together with the remittances, will code all remittances and submit it to the cashier for receipting.
- (16) The Chief Clerk: Cashiers must exchange postal order for cash at the Post Office on the same day or no later than the next working day after it has been received from the Registry Clerk.
- (17) The Chief Clerk: Cashiers must handover cash under control by ensuring that a cash receipt is immediately issued or that a signature is obtained when cash is handed over.
- (18) The cashier will receipt all remittances and issue official receipts to the designated official in the Chief Clerk's Office: Cashiers.
- (19) \* The designated official will record the receipts against the relevant entry in the electronic cheque register and forward it to the "Inbox" of the Registry Office.
- (20) \* The registry clerk must ensure that a receipt number is recorded against each entry in the cheque register.

- (21) The Administrator, Records & Archives must obtain an exception report on a weekly basis of all payments received by post which have not yet been accounted for. These exceptions must immediately be followed-up and cleared.
- (22) All documents relating to remittances received in the mail must be filed for audit purposes.
- (23) \* A register for post dated cheques must be maintained by the registry clerk on Collaborator and send to the "Inbox" of the Chief Clerk: Cashiers which distribute the register to the various cashiers.
- (24) \* The cashiers will ensure that the cheque is stored in a strong room and when it becomes due, are promptly receipted, and the receipt numbers recorded in the electronic post dated cheque register.

#### **Management of cash**

- (25) 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. Over week-ends and public holidays monies must be banked on the next working day. Where huge amounts are collected after monies have been banked on Fridays or on days prior to a public holiday, these monies must also be deposited prior to the closer of the bank.
- (26) The cash holding of the municipality must be kept at the minimum level required to finance the day to day operations of the municipality.
- (27) Procedures must be designed in order to ensure compliance with the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and Regulation R308 as published in Government Gazette 27431 of 1 April 2005, regarding all cash.
- (28) Bank account balances must be reconciled to the cashbook. Accounts that are used daily must be reconciled daily while investment accounts may be reconciled on a less frequent basis.

### Credit and Debit Cards

- (29) The accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality or a municipal entity is issued to any official or political office bearer, with the exception of officials who is responsible for petty cash. These officials are issued with debit cards in their names. Each card has a maximum limit of R500.00.

Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved Travel and Subsistence Policy and processes.

### Access to Cashiers Offices/ Workstations/ Booths

#### Handling and Safeguarding of Cash:

- (28) The cash office must be fitted with a lockable door and lockable money drawer. During business hours, all forms of cash must be stored/ safeguarded in lockable drawers, cash registers and/or cash boxes.
- (29) The cash office must remain locked at all times, irrespective of whether the Cashier is present or not.
- (30) All monies received must be locked in the locker during meal hours and in a safe overnight and over week-ends.
- (31) The cashier should have complete control and responsibility for the cash they collect during business hours.
- (32) Access to areas where cash is collected/paid/stored/safeguarded is restricted and limited to only those employees who need access, and have been designated to have access, which would be the Cashier handling the money and the direct Supervisor/Authorised Official performing reconciliations and checks.
- (33) Any other Officials/ Auditors must request documents from the Supervisor/ Authorised Official who will enter the Cashier's office/ area, to collect the appropriate documents, and hand it over to the officials/ auditors.

These documents must be handed over and returned under control to prevent documents being lost.

- (34) Cash Offices must be restricted by means of the biometrics system (where possible) to prevent unauthorised access. The restriction of cash offices is to prevent the continuous movement of staff not handling cash or serving the public. Cashiers need to concentrate to prevent cash shortages which they are held responsible for.
- (35) Cash may only be accepted at Cash Offices of the municipality, registered vendors and by authorised Credit Control officials in Kalbaskraal, Riverlands and Koringberg.
- (36) All keys must remain in the possession of the staff responsible and must not be relinquished for whatever reason.
- (37) Written acknowledgements must be obtained for all keys and monies handed over to the Supervisor or any other authorised staff members.
- (38) The relevant authorised official /Supervisor must supervise the cash activities on a daily basis.
- (39) The cashier must compile a daily cash summary. This cash on hand per the summary must match the actual cash on hand.
- (40) The day end cash balance and money must be safeguarded in the safe till deposited in accordance with approved cash arrangements.

### Management of Inventory

- (41) Adequate control must be exercised over all goods received, the storage and issuing of goods kept in inventory in order to improve cash management.
- (42) Minimum and maximum inventory levels, reordering procedures, turnover rate of inventory items must be reviewed quarterly to ensure that funds are not unnecessarily tied up in inventory.
- (43) An inventory register, reflecting the under-mentioned detail must be kept

and updated daily:-

- (a) item description;
- (b) stores code number;
- (c) transaction date;
- (d) goods received –
  - (i) goods delivery note number;
  - (ii) number of items received; and
  - (iii) value of items received.
- (e) goods issued-
  - (i) requisition number; and
  - (ii) number of items issued.
- (f) balance of items in inventory.

(44) Inventory counts must be affected monthly and an annual report reflecting inventory shortages and surpluses must be submitted to council on the 30 June of each financial year.

- (45) All surpluses and shortages must be explained by the relevant head of department.

#### **Short-term portion of debtors**

- (46) The periodical payments relating to long-term debtors must be raised and recovered monthly / biannually.

#### **Payment of Creditors**

- (47) The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable 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 earlier payment. Incentives schemes that promote local economic development within the jurisdiction of the municipality may also be considered when negotiating payment terms.

- (48) Payments to creditors must be limited to one payment per creditor per calendar month of which such processing will take place on or about the end of the month concerned. 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 month end processing.
- (49) In the case of small, micro and medium enterprises (BBBEE), 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.

Discounts for early settlement must be considered and utilised.

- (50) Creditors statements must be reconciled monthly.

- (51) Payment must only occur on receipt of a statement of which the original company invoices can be linked to official orders that were issued prior to the company's invoice date and certified goods received notes. Copies of invoices must be certified by creditors as a true copy of the original and Payment Clerks must ensure that payment has not yet occurred for these invoices.

#### **Management of bank overdraft**

- (52) All debt shall be raised in strict compliance with the requirements of clause 45 to 47 of the Municipal Finance Management Act 2003, and only with the prior approval of the council.

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

- (53) The bank overdraft must be repaid at the end of each financial year.



- (54) The council can only approve a bank overdraft on the submission of a cash flow statement indicating the anticipated income stream or a certificate stating the approved grant or long-term loan.
- (55) The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council.
- (56) A municipality may incur long-term debt only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution.

#### **Commitments**

- (57) Commitments for known short-term liabilities must be made for each municipal order issued.
- (58) At year end, all incomplete orders must be reviewed to ensure that only valid orders remain to roll over into the following financial period.

- (59) Sufficient cash must be available when payments are due.

#### **Short-term portion of long-term liabilities**

- (60) Loan installments due in the next financial year must be provided for in the financial statements.
- (61) Sufficient cash must be available when payments are due.

### **INVESTMENT INSTRUMENTS**

6. (1) A municipality or municipal entity may invest funds only in any of the following investments types as may be appropriate to the anticipated future need for the

funds-

- (a) securities issued by the national government;
- (b) listed corporate bonds with an investment grade rating from a nationally or internationally recognized credit rating agency;
- (c) deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990);
- (d) deposits with the Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No.45 of 1984);
- (e) deposits with the Corporation for Public Deposits as contemplated by the Corporation of Public Deposits Act, 1984 (Act No.46 of 1984);
- (f) bankers, acceptance certificates or negotiable certificates of deposits of banks registered in terms of the Banks Act, 1990; (Act No. 94 of 1990)
- (g) guaranteed endowment policies with the intention of establishing a sinking fund;
- (h) repurchase agreements with banks registered in terms of the Banks Act, 1990;
- (i) municipal bonds issued by the municipality; and
- (j) any other investment type as the minister may identify by regulation in terms of section 168 of Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) in consultation with the Financial Services Board.

### **INVESTMENT ETHICS AND PRINCIPLES**

7. (1) The municipal manager will be responsible for the investment of funds, and he/she, with due regard for the provisions of the Municipal Finance Management Act, 2003 and in compliance with any policy directives formulated by the council, has to steer clear of outside interference, regardless of whether such interference comes from individual councilors, investment agents or institution or any outside parties.
- (2) Under no circumstances may councilors and officials be bribed into making an investment.
- (3) No member of staff may accept any gift unless that gift can be deemed so small that it would not have an influence on his/her work or was not intended

to do so, and can merely be seen as goodwill and in this regard the municipality's standing resolutions have to be observed

- (4) Particulars of gifts received, as described in the municipality's standing resolutions, have to be recorded in a register held for that purpose.
- (5) The first and foremost objective for investments is the preservation and safety of the principal amount invested. It is a requirement that investments may only be made with institutions with a credit-worthy rating of F1 (Fitch) and better.
- (6) Any investments made must be liquidated if an institution's credit-worthy rating falls below the level of F1 (Fitch)." In the case where the sovereign rating (national credit rating) is graded down, the Accounting Officer may on recommendation of Chief Financial Officer allow a lesser favourable grading aligned to the lowered sovereign rating.
- (7) To minimize the potential risk that banks would pose on council's investments, SM decided to assess banks based on the international rating scales as these ratings agencies are the most influential and is supported by table 2 of the Draft notice as these ratings are applicable to both national and international ratings.
- (8) To limit exposure to a single institution, investment of funds, where this involves large amounts, should be distributed over more than one institution in order to limit Council's risk exposure.

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 mitigated by the degree of potential risk involved.

- (9)
- (10) The maximum amount invested with a financial institution should not exceed 10% of the municipal net assets (capital and reserves).

- (11) The council may not borrow money to invest.
- (12) Should the municipal manager invest with financial institutions, he/she must ensure that such institutions are registered in terms of the Banks Act No. 94 of 1990 and that they are approved financial institutions - as approved by the Reserve Bank, from time to time.
- (13) When making growth related investments, the municipal manager must guarantee that at least the capital amount invested is safe, and must exercise due diligence in this regard.

## INVESTMENT PROCEDURES

- 8. (1) After determining whether there is cash available for investment and fixing the maximum term of investment, the municipal manager must consider the way in which the investment is to be made.

### Short-term investments (i.e for a term up to a maximum of 12 months)

- (2) Quotations should be obtained from a minimum of three financial institutions, for the term of which the funds will be invested.
- (3) Should one of the institutions offer a better rate for a term, other than the term which the municipality had in mind, the other institutions which were approached, should also be asked to quote a rate for the other term.
- (4) Quotations can be obtained by e-mail or facsimile as rates generally change on a regular basis and time is a determining factor when investments are made.
- (5) The person responsible for requesting quotations from institutions must record the following:
  - (a) name of institution;
  - (b) name of person quoting rates;

- (c) period of the investment;
  - (d) relevant terms; and
  - (e) other facts i.e. is interest payable monthly or on maturation date.
- (6) Once the required number of quotes has been obtained, a decision must be taken regarding the best terms offered and the institution with which funds are going to be invested.
- (7) The best offer must under normal circumstances be accepted, with thorough consideration of investment principles.
- (8) The investment capital must only be paid over to the institution with which it is to be invested and not to an agent.
- (9) The financial institution where the investment is made must issue a certificate stating the details of the investment.
- (10) The municipal manager must make sure that the investment document received is a genuine document and issued by the approved institution.
- (11) The financial institution, where the investment is made, must issue a certificate for each investment made stating that no commission has, nor will, be paid to any agent or third party, or to any person nominated by the agent or third party.
- (12) The municipal manager must within 10 working days of the end of each month submit to the mayor of the municipality a report describing, in accordance with generally recognised accounting practice, the investment portfolio of that municipality at the end of the month.
- (13) The report referred to in 8 (12) must set out at least:
- (a) the market value of each investment as at the beginning of the reporting period;
  - (b) any changes to the investment portfolio during the reporting period;
  - (c) the market value of each investment as at the end of the reporting

- period; and
  - (d) fully accrued interest or yield for the reporting period.
- (14) Where money is kept in current accounts, the municipality must bargain for more beneficial rates.
- (15) The municipal manager must ensure that the financial institution where the investment is to be made is creditworthy and the performance of the institution is to his/her satisfaction, before investing money in the institution.
- (16) The municipal manager must obtain information from which the creditworthiness of financial institutions can be determined. The information obtained must be analysed annually.
- Long-term investments (i.e for a term more than 12 months)**
- (17) At least three written quotations must be obtained for all investments made for periods longer than twelve months.
- (18) All long-term investments are also subject to the provisions contained in paragraphs 8(3), 8(6), 8(7), 8(8), 8(9), 8(10), 8(11), 8(12), 8(13), 8(15) and 8(16) of this document.
- (19) The municipal council must approve all investments made for periods longer than twelve months after considering the cash requirement for the next three years.

## OTHER EXTERNAL DEPOSITS

9. (1) The principles and procedures set out above must apply to other investment possibilities, subject to the applicable legislation, which is available to the council, including debentures and other securities of the state as well as other municipalities or statutory bodies in the republic, instituted under and in terms of any law.

## CONTROL OVER INVESTMENTS

10. (1) An investment register should be kept of all investments made. The following facts must be recorded:
- (a) name of institution;
  - (b) capital invested;
  - (c) date invested;
  - (d) interest rate;
  - (e) maturation date;
  - (f) interest received;
  - (g) capital repaid;
  - (h) balance invested;
  - (i) Opening balance at the beginning of the period; and
  - (j) Closing balance at the end of the period.
- (2) The investment register and accounting records must be reconciled on a monthly basis.
- (3) The investment register must be examined on a fortnightly basis to identify investments falling due within the next two weeks. It must then be established as what to do with the funds, bearing in mind the cash flow requirements.
- (4) Interest, correctly calculated, must be received timeously, together with any distributable capital.
- (5) The Head of Expenditure must check that the interest is calculated correctly.
- (6) The Chief Financial Officer shall ensure that all investment documents and certificates are properly secured. The following documents must be safeguarded-
- (a) fixed deposit letter or investment certificate;
  - (b) receipt for capital invested;
  - (c) copy of electronic transfer or \* cheque requisition;
  - (d) excel schedule of comparative investment figures;

- (e) commission certificate indicating no commission was paid on the investment; and
- (f) interest rate quotations.

## SHORT TITLE

11. The short title of this policy is the investment and cash management policy of the Swartland Municipality



# BUDGET IMPLEMENTATION AND MONITORING POLICY



REVIEWED AND NOT AMENDED  
MARCH 2021

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## 1. DEFINITIONS

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

"Allocation", means -

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

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

"Approved budget," means an annual budget -

- (a) approved by a municipal council, or
- (b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

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

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

- (a) the tariff policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- (c) the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"Budget transfer" means transfer of funding within a function/vote subject to limitations. The transfer can be done between any combinations of segments during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption;

"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;

"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;

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

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

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

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

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

"Irregular expenditure", means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA, and which has not been condoned by Council;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"Investment/s", 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;

**"Item segment"** is one of the 7 segments of the Municipal Standard Chart of Accounts and includes items of:

- Expenditure,
- Revenue,
- Assets,
- Liability,
- Gains and Losses

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

**"mSCOA"** is an abbreviation for Municipal Standard Chart of Accounts and is the classification framework for all accounting entries for municipalities. All transactions must be allocated to all includes seven segments of chart information, namely:

1. Project segment;
2. Function segment;
3. Fund segment;
4. Regional segment;
5. Item segment;
6. Costing segment; and
7. Municipal classification segment (Only this segment is optional)

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

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

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

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

**"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 (refer to the MSA for definition);

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

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

**"Official"**, means -

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

**"Overspending"**-

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

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

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

**"Service delivery and budget implementation plan"** means a detailed plan approved by the executive mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate –

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

**"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" refer to the definition of budget transfer

"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. INTRODUCTION

- 2.1 In terms of the Municipal Finance Management Act, No. 56 of 2003, Chapter 4 on Municipal Budgets, Subsection (16), states that the council of a municipality must for each financial year approve an annual budget for the municipality before the commencement of that financial year. According to subsection (2) of the Act concerned, in order to comply with subsection (1), the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- 2.2 This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. The budget is a tool for planning, control and it 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.

## 3. OBJECTIVE

The objective of the budget policy is to set out:

- a) The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget (MTREF);
- b) The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget;
- c) To control and inform the basis, format and information included in the Budget documentation; and
- d) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

## 4. BUDGET PRINCIPLES

- 4.1 The municipality shall ensure that revenue projections in the budget are realistic taking into account actual collection levels and shall not budget for a cash deficit.
- 4.2 Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.
- 4.3 Swartland Municipality shall prepare a five-year operating budget and a three-year capital budget (medium term revenue and expenditure framework (MTREF)) which will be reviewed annually and will be approved by Council.
- 4.4 The MTREF budget will at all times be within the framework of the Municipal Integrated Development Plan (IDP).
- 4.5 The budget must be aligned to the requirements of the Municipal Standard Chart of Accounts (mSCOA) regulations of the MFMA.
- 4.6 No budget will be allocated in the operating and capital budget for external funded projects unless it is gazetted or in special circumstances such as housing related projects, that the request is supported by written confirmation from the external source of the specific grant or donation.

## 5. REGULATORY FRAMEWORK

- 5.1 Legislation and Policy Strategy Local Municipality is committed to comply with applicable legislation as it pertains to budgeting and financial management and the following examples of pieces of legislation are relevant:
  - The Constitution of the Republic of South Africa

- The Municipal Finance Management Act No 56 of 2003
- The Municipal System Act (Act No 32 of 2000)
- The Municipal Structure Act No.117 of 1998
- The Municipal Property Rates Act 6 of 2004; and
- Other applicable by-laws, ordinance or legislation

Cognisance must be taken of the National Treasury Circulars that may have an impact on the budgeting environment. All National Treasury Circulars will be considered.

## **6. ROLES AND RESPONSIBILITY OF CHIEF FINANCIAL OFFICER (CFO)**

The CFO is administratively in charge of the budget and treasury office. The chief financial officer has an essential function in assisting the municipal manager to carry out his or her financial management responsibilities, in areas ranging from budget preparation to reporting and the development and maintenance of internal control procedures. The CFO plays a central role in implementing the financial reforms at the direction of the municipal manager with assistance of appropriately skilled staff.

- 6.1 The Chief Financial Officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the cash and investments policy), and shall be accountable to the Accounting Officer in regard to the performance of these functions.
- 6.2 The Accounting Officer shall ensure that all heads of departments provide the inputs required by the Chief Financial Officer into these budget processes.
- 6.3 The Chief Financial Officer shall provide input to the budget timetable for the ensuing financial year for the mayor's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the mayor, Budget Steering committee, executive committee and council.
- 6.4 In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each vote, provided that in so doing the chief financial officer shall properly and adequately reflect the organisational structure of the municipality, and further in so doing shall comply – in so far as the organisational structure permits – also with the prescribed budget format of National Treasury; GRAP and with mSCOA.
- 6.5 The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the any contributions to a reserve of the municipality, and the contributions to the provisions for impairment of debtors, accrued leave entitlements and obsolescence of stocks.

- 6.6 The Chief Financial Officer shall further, with the approval of the mayor and the Accounting Officer, determine the recommended contribution to the capital replacement reserve and any other contributions to other reserves of the municipality.
- 6.7 The Chief Financial Officer shall also, again with the approval of the mayor and the Accounting Officer, and having regard to the municipality's current financial performance, determines the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted and shall comply so far as possible with the prescribed increases by National Treasury.
- 6.8 The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget.
- 6.9 The Chief Financial Officer shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budgets.
- 6.10 The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the mayor on the revision of the IDP and the budget-related policies where these are indicated.
- 6.11 The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.
- 6.12 The Chief Financial Officer shall ensure that the cost of any relief/rebate is separately reflected in the appropriate mSCOA segments.
- 6.13 The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations are appropriately recorded.

## **7. APPROPRIATION OF FUNDS FOR EXPENDITURE**

- 7.1 Section 15 of the MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.
- 7.2 "A municipality may, except where otherwise provided in this Act, incur expenditure only:
  - (a) in terms of an approved budget; and

- (b) within the limits of the amounts appropriated for the different votes in an approved budget.”

## 8. ANNUAL BUDGETS

- 8.1 In accordance with section 16 of the MFMA, the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- 8.2 In order for a municipality to comply with subsection (1) of section 16 of the MFMA, the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- 8.3 Subsection (1) of section 16 of the MFMA does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.

## 9. FUNDING OF EXPENDITURE

- 9.1 Section 18 of the MFMA prescribes as follows:

“(1) An annual budget may only be funded from—

- (a) realistically anticipated revenues to be collected;
- (b) cash-backed accumulated funds from previous years’ surpluses not committed for other purposes; and
- (c) borrowed funds, but only for the capital budget referred to in section 17(2).

(2) Revenue projections in the budget must be realistic, taking into account—

- (a) projected revenue for the current year based on collection levels to date; and
- (b) actual revenue collected in previous financial years.”

- 9.2 Additional funding requirements is included in the Council approved Funding and Reserves policy.

## 10. BUDGET PREPARATION PROCESS

### 10.1. Formulation of the budget

- 10.1.1 The Accounting Officer with the assistance of the Chief Financial Manager and the Manager responsible for IDP shall draft an IDP and Budget Time Schedule for the municipality including municipal entities for the ensuing financial year.
- 10.1.2 The Executive Mayor shall table the IDP and Budget Time Schedule to Council by 31 August each year for approval (10 months before the start of the next budget year). The IDP and Budget Time Schedule shall indicate the key deadlines for the review of the IDP as well 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 MFMA, Municipal Budget and Reporting Regulations and the guidelines set by National Treasury.

- 10.1.3 The Executive Mayor shall convene a strategic workshop in September/October with the mayoral committee and senior managers in order to determine the IDP priorities, which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressure facing the municipality.

- 10.1.4 The Executive Mayor shall table the draft IDP and MTREF budget to council by 31 March (90 days before the start of the new 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).

- 10.1.5 The Chief Financial Officer and senior managers undertake the technical preparation of the budget.

- 10.1.6 The budget must be in the format prescribed by the Municipal Budget and Reporting Regulations.

- 10.1.7 The budget must reflect realistically expected revenues for the budget year concerned.

- 10.1.8 The revenue and expenses reflected in the budget must be divided into items as per the classification framework of mSCOA.

- 10.1.9 The budget must also contain the information related to the two financial years following the financial year to which the budget relates, as well as the estimated revenues and expenses for the current year and the three prior year actual outcomes.

### 10.2 Public participation process

Immediately after the draft annual budget has been tabled, the municipality must convene public participations meetings on the draft budget during April and early May of each year and invite the public and stakeholder organisations to make representation at these meetings and to submit comments in response to the draft budget.

### 10.3 Approval of the budget

- 10.3.1 Council shall consider the Annual budget for approval not later than 31 May (30 days before the start of the budget year).

- 10.3.2 The council resolution must contain budget policies and performance measures shall be adopted.

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

10.3.4 The budget table to Council for approval shall include the following supporting documents:

- Draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned,
- Measurable performance objectives for each budget vote, taking into account the municipality's IDP,
- The projected cash flows for the financial year by revenue sources and expenditure votes,
- Any proposed amendments to the IDP,
- Any proposed amendments to the budget-related policies,
- The cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the accounting officer, the chief financial officer, and other senior managers.
- Particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting such as Non-Governmental Organisations, welfare institutions and so on,
- Particulars of the municipality's investments, and
- Information in regard to municipal entities under the shared or sole control of the municipality.

#### 10.4 Publication of the budget

10.4.1 When making public the draft annual budget and supporting documentation in terms of section 22(a) of the MFMA, read with section 21A of the Municipal Systems Act, the Accounting Officer must also make public any other information that the municipal council considers appropriate to facilitate the budget consultation process.

10.4.2 The annual budget must be submitted in both printed and electronic formats to the National Treasury and the relevant provincial treasury.

10.4.3 Within ten working days after the municipal council has approved the annual budget of a municipality, the Accounting Officer must in accordance with section 21 of the Municipal Systems Act make public the approved annual budget and supporting documentation and the resolutions referred to in section 24(2)(c) of the MFMA.

#### 10.5 Service Delivery and Budget Implementation Plan (SDBIP)

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

10.5.2 The SDBIP shall include the following components:

- a) Monthly projections of revenue to be collected for each source,
- b) Monthly projections of expenditure (operating and capital) and revenue for each vote,
- c) Quarterly projections of service delivery targets and performance indicators for each vote,

- d) Ward information for expenditure and service delivery,
- e) Detailed capital works plan broken down by ward over three years.

## 11. CAPITAL BUDGET

### 11.1 Basis of Calculation

11.1.1 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.

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

11.1.3 The impact of the capital budget on the current and future operating budget in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed 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 compiled.

11.1.4 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.

### 11.2 Budget Principles

11.2.1 Expenditure of a project shall be included in the capital budget if it meets the definition of a capital asset.

11.2.2 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 global amounts shall be budgeted for vehicle acquisition.

11.2.3 The capital budget shall distinguish between the replacement, renewal, upgrading and new capital asset.

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

11.2.5 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 not been committed for other purposes.

11.2.6 Before approving a capital project, the Council must consider:

- The projected cost of the project over all the ensuing financial years until the project becomes operational, 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),
- The impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loan,

- Depreciation of capital assets,
- Maintenance of capital assets, and
- Any other ordinary operational expenses associated with any item on such capital budget.

11.2.7 Council shall approve the annual or adjustment capital budget only if it has been fully funded.

### 11.3 Funding of Capital Budget

The capital expenditure shall be funded from the following source:

#### 11.3.1 External loans

- External loans can be raised only if it is linked to the financing of a capital asset,
- A capital project to be financed from an external loan can only be included in the capital budget if the loans has been secured or if can be reasonably assumed as being secured,
- Interest payable on external loans shall be included as a cost in the Operating budget,
- Finance charges relating to such loans be charged to or apportioned only between the departments or votes to which the projects relate.

#### 11.3.2 Capital Replacement Reserve (CRR)

Council shall establish a CRR for the purpose of financing capital projects for the acquiring of capital assets. Such reserve shall be established from the following sources of revenue:

- All cash proceeds on the sale of capital assets (including the sale of buildings and land),
- All cash proceeds from Developers Contributions and payments received in respect of the buyout of parking areas,
- Annual contribution equal to the depreciation of that financial year; less the repayment portion of the external loans (interest bearing borrowings),
- Increased contribution to the CRR if sufficient cash surpluses were generated through savings on expenditure or additional income sources.

Before any capital asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;

If there is insufficient cash available to fund the CRR, this reserve fund must then be adjusted to equal the available cash;

#### 11.3.3 Grant Funding

11.3.3.1 Capital expenditure funded from grants must be budgeted for in the capital budget;

- Expenditure must be reimbursed from the unspent grant and recognised in the operating budget as transfers recognised – capital and must be budgeted for as such.

- Interest earned on investments due to unspent Conditional Grant Funding for which the grant condition stated the interest must accrue to the grant/project shall be capitalised to the unspent grant fund.
- If there is no condition stated then the interest must be allocated directly to the revenue accounts of the Municipality.

Grant funding needs to be secured in the form of cash before spending can take place. All unspent grants must be ring fenced and cash backed from available cash and cash equivalents.

## 12. OPERATING BUDGET

12.1 The municipality shall budget in each annual and adjustments budget for the contribution to:

- Provision for accrued leave entitlements equal to 100% of the accrued leave,
- Continued employee benefits as at 30 June of each financial year,
- Provision for impairment of debtors in accordance with its rates and tariffs policies and the generally recognised accounting standards,
- Provision for the obsolescence and deterioration of stock in accordance with its inventory management policy,
- The level of cash funding in respect to a) and b) above must be decided by the Chief Financial Officer as part of the budget process annually is set out in the Borrowing, Funding and Reserves Policy.

12.2 Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.

12.3 A percentage of the operating budget component of each annual and adjustments budget shall be set aside for repairs and maintenance.

12.4 When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households. The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

12.5 Non capital expenditure funded from grants must be budgeted for as part of the revenue budget.

- Expenditure must be reimbursed from the unspent grant and recognised in the operating budget as transfers recognised – operational and must be budgeted for as such.

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

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

### **13. UNSPENT FUNDS AND ROLL-OVER OF BUDGET**

- 13.1 The appropriation of funds in an Annual or Adjustment Budget will lapse to the extent that they are unspent by the end of the relevant budget year, except unspent grants (if the conditions for such grant funding allow that).
- 13.2 Conditions of the grant funding shall be taken into account in applying for rollover of grant funds;
- 13.3 Projects funded from the Capital Replacement Reserve may be rolled over from the year it originates with an adjustments budget (as prescribe in Municipal Budget and Reporting Regulations in terms of reg. 23(5) only if the following conditions is met:
- 13.3.1 The Chief Financial Officer must assess the funding requirements from and to the CRR for the next 3 budget years; and only if sufficient funding is available in the CRR may projects be considered for roll-over;
- 13.3.2 The funds to be rolled over must have been committed before the 30th June;
- 13.3.3 The relevant Senior Manager must provide a detailed report providing the reasons for non-compliance to the deadline of 30th June and proof to substantiate 13.3.2 above;
- 13.4 If the above mentioned conditions for the roll-over of a project could not be met, then the relevant Senior Manager must re-prioritise projects within his/her directorate in the next 3 year capital program to stay within the funding available within the CRR over the next 3 years and submit a report to this effect to be considered as part of the roll over adjustment budget.
- 13.5 Projects funded from Borrowings may be rolled over from the year it originates with an adjustments budget (as prescribe in reg 23 (5) of the Municipal Budget and Reporting Regulations) only if the funding is still available and no contract conditions of the investor or financier prohibits the roll over.

### **14. ADJUSTMENT BUDGET**

- 14.1 Council may revise its annual budget by means of an adjustment budget in terms of section 28 of the MFMA and according to the timelines set out in the Municipal Budget and Reporting regulations section 23.
- 14.2 Section 28(2) of the MFMA determines when an adjustment must be done and when it may be prepared.
- 14.3 The Accounting Officer must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.
- 14.4 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.
- 14.5 The Council shall in such Adjustment Budget, and within the prescribed framework, confirm unforeseen and unavoidable expenses on the recommendation of the Mayor.

- 14.6 The Chief Financial Officer shall ensure that the Adjustment Budgets comply with the requirements of the National Treasury, reflect the budget priorities determined by the Mayor, are aligned with the IDP, 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.
- 14.7 The Council should also authorise the spending of unspent grant funding 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.
- 14.8 An Adjustment Budget must contain all of the following:
- b) an explanation of how the adjustments affect the approved Annual Budget;
  - c) appropriate motivations for material adjustments; and
  - d) an explanation of the impact of any increased spending on the current and future annual budgets.
- 14.9 Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.
- 14.10 Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget.

### **15. VIREMENT**

Virement requirements and procedures can be found in Swartland's Virement Policy.

### **16. BUDGET IMPLEMENTATION**

#### **16.1 Monitoring**

- 16.1.1 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.
- 16.1.2 The Accounting Officer with the assistance of the Chief Financial Officer must prepare any Adjustment Budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.
- 16.1.3 The Accounting Officer must report in writing to the Council any impending shortfalls in the Annual Revenue Budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

## **16.2 Reporting**

### **16.2.1 Monthly budget statements**

16.2.1.1 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.

16.2.1.2 This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the Approved or Revised Budget; and
- projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

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

### **16.2.2 Quarterly Reports**

16.2.2.1 The Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the Budget and the financial state of affairs of the municipality.

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

16.2.2.3.1 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.

16.2.2.3.2 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.

16.2.2.3 The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the Annual Budget and for revising the projections of revenues and expenses set out in the Service Delivery and Budget Implementation Plan.

## **17. CONCLUSION**

The Accounting Officer must place on the municipality's official website the following documentation with regards to the Budget policy:

- 17.1 The Annual and Adjustment Budgets and all budget-related documents;
- 17.2 The Budget-related policies;
- 17.3 The Annual Report;
- 17.4 All performance agreements;
- 17.5 All service delivery agreements;
- 17.6 All long-term borrowing contracts;
- 17.7 All quarterly and mid-year reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

## **18. REVIEW OF POLICY**

This policy will take effect on **1 July 2016** and shall be reviewed on an annual basis to ensure that it is in line with the municipality's strategic objectives, good governance, with relevant legislation and prudent expenditure management.

# SWARTLAND MUNICIPALITY

## FUNDING AND RESERVES POLICY



**REVIEWED AND NOT AMENDED**

**MARCH 2021**

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## FUNDING AND RESERVE POLICY

### 1. INTRODUCTION AND OBJECTIVE

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines towards ensuring financial viability over both the short- and long term and includes funding as well as reserves requirements.

### 2. SECTION A: FUNDING POLICY

#### 2.1 LEGISLATIVE REQUIREMENTS

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced once the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash – funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

#### 2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care with the primary objective of ensuring that the objectives of this policy are achieved.

### 2.3 STATEMENT OF INTENT

The municipality will not approve a budget which is not cash – funded or where any of the indicators as listed in this document are negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

### 2.4 CASH MANAGEMENT

Cash must be managed in terms of the municipality's Cash Management and Investment Policy.

### 2.5 DEBT MANAGEMENT

Debt must be managed in terms of the municipality's Debt Management Policy, together with any requirements in this policy

### 2.6 FUNDING OF THE OPERATING BUDGET

#### 2.6.1 Basis of Calculation

- The incremental approach is used in preparing the annual Operating Budget, except in cases where 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 that 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.

#### 2.6.2 Assumptions for different categories

The following assumptions are used when compiling the budget for the following expenditure categories:-

##### 2.6.2.1 Employee-Related Costs

The salaries and allowances are calculated based on the percentage increases as per the collective agreement between organised labour and the employer for a particular period. The remuneration of all political office bearers is based on the limitation and percentages as determined by the responsible National Minister

#### **2.6.2.2 Depreciation and Amortisation**

Depreciation is calculated at Deemed cost using the straight line method, to allocate depreciation cost to the residual values over the estimated useful lives of the assets.

#### **2.6.2.3 Interest External Borrowings**

The above refers to interest and redemption that has to be repaid on an external loan taken up by the Municipality. The Budget is determined by the repayments that the Municipality is liable for based on the loan agreements entered into with the Institutions.

#### **2.6.2.4 Bulk Purchase**

The expenditure on bulk purchases shall be determined by using the tariffs as stipulated by the WCDM and NERSA or any other service provider from time to time.

#### **2.6.2.5 General Expenses**

The growth will be based on a percentage growth in line with the prevailing growth rates and the CPI and prior actual expenditure trends.

#### **2.6.2.6 Repairs and Maintenance**

Repairs and Maintenance shall be determined in conjunction with the needs of the different Directorates and in accordance with the Asset Policy for the maintenance of Infrastructure Assets and Normal Maintenance.

#### **2.6.2.7 Contributions to funds**

Contributions made to provisions are based on actual expenditure in the previous year and any other factor that could have effect.

#### **2.6.3 The Operating Budget shall be financed from the following sources.**

- Service Charges
- Electricity charges
- Water sales
- Refuse removal fees
- Sewerage fees

#### **2.6.3.1 Taxes**

Assessment rates are levied in terms of the Municipal Property Rates Act based on land and improvements value. Tariffs are set in accordance with the stipulations as set out in the Tariff Policy.

#### **2.6.3.2 Grants and Subsidies**

Grants and subsidies shall be based on all gazetted grants from the National and Provincial Treasuries and all other Public Contributions from organisations.

#### **2.6.3.3 Interest on Investments**

The budget for interest on investments shall be in accordance with the Cash and Investment Policy of the Municipality.

#### **2.6.3.4 Rental Fees**

The budget for income from rental will be based on the fees set out in the rental contracts.

#### **2.6.3.5 Other Income**

All other income will be budgeted on the actual Income received in the preceding year and a percentage growth rate for the particular year.

### **2.7 FUNDING OF THE CAPITAL BUDGET**

The Capital Budget can be funded by way of own contributions, grants, public contributions or any other financing source secured by the local authority.

#### **2.7.1 Own Funding Sources**

The Municipality has established a Capital Replacement Reserve (CRR) for the purpose of financing capital projects and the acquisition of capital assets on the following conditions:-

#### **2.7.2 Purpose of the CRR**

It is the policy of the Municipality to establish a Capital Replacement Reserve. The purpose of the CRR is to set funds aside for the financing of property, plant and equipment. The CRR is therefore an asset financing source that represents an alternative to other funding sources available to municipalities, namely external loans (interest bearing borrowings) and government grants and subsidies.

#### **2.7.3 Contributions to the CRR**

It is the policy of Council to make contributions annually to the CRR to ensure that the CRR remains a capital funding source for the future. The Municipality will determine its future capital financing requirements and endeavour to transfer sufficient cash to its CRR in terms of this determination. The Integrated Development Plan, the Municipality's ability to raise external finance and the amount of Government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR.

Every year, with the closure of the financial records, the Chief Financial Officer will decide on the amount that should be contributed to the CRR also taking into account the influence of depreciation, interest on investments etc.

## **2.8 Accounting Requirements**

The balance of the CRR must always be represented by cash. The CRR may only be utilised for the financing of items of property, plant and equipment as specified in GRAP 17 for the Municipality and may not be used for the maintenance of any assets. Whenever an asset is financed out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into Accumulated Surplus on the Statement of Changes in Net Assets. This is done to accommodate future annual depreciation charges on assets funded from the CRR.

A register must be kept with full details of all the following transactions:

- (a) Land Sales.
- (b) Developers Contributions.

## **2.9 Other Funding Sources**

The Capital Budget shall be financed from external sources such as the following:

- Grants and subsidies as allocated in the Division of Revenue Act
- Grants and subsidies as allocated by Provincial Government
- External loans
- Public contributions
- Any other financing sources secured by local authorities

## **3. SECTION B: RESERVES**

### **3.1 Introduction**

The Municipality recognises the importance of providing to the Municipality itself, as well as its creditors, financiers, staff and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities

### **3.2 Types of Reserves**

Reserves/Provisions can be classified into two main categories being “cash funded” and “non-cash funded”.

### **3.2.1 Cash Funded Reserves**

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

#### **a) Statutory reserves**

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

#### **b) Capital Replacement Reserves**

- The Capital Replacement Reserve is a reserve to finance future capital expenditure.

### **3.2.2 NON – CASH FUNDED RESERVES / PROVISIONS**

On occasion it is necessary to create non – cash funded reserves. The Accounting Officer must create any reserves prescribed by the accounting standards, such as the Revaluation Reserve, if required and provisions such as post-retirement benefits and rehabilitation of land fill sites

## **4. REVIEW OF THE POLICY**

The Funding and Reserves Policy is the only policy of the Municipality in this regard and replaces any preceding post policies in this regard. Any revision of the policy must be approved by Council.

Whenever the Minister of Finance or National Treasury requires changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed annually and submitted for consideration by Council.

**Date of adoption: 1 July 2015**

# SWARTLAND MUNICIPALITY

## DEBT AND BORROWING POLICY



REVIEWED AND NOT AMENDED  
MARCH 2021

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## 1. INTRODUCTION

Chapter 6 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), states that the municipality may incur long- and short-term debt, subject to certain conditions. The municipality sometimes needs additional bridging funding for over short-term periods and to finance long-term projects (capital projects). This Debt Policy provides for the municipality to obtain short- and long-term debt and set out all conditions under which the municipality will be entitled to obtain such debt. All employees of the municipality should adhere to this policy.

## 2. POLICY FRAMEWORK

This policy addresses all relevant principles and processes to be followed when obtaining short- and long-term debt, to ensure sufficient management of debt. The policy includes the following:

- Objectives of the policy
- Due diligence
- Delegations
- Management and internal control procedures
- Debt Management
- Types of Debt
- Securities for Debt
- Approval procedures
- Cost of Debt
- Competitive selection of bids
- Types of Debt and financing sources
- Commission and discounts
- Forbidden activities
- Reporting and monitoring of requirements
- Review of the policy

## 3. OBJECTIVES

The objectives of this policy are to ensure optimal performance with the lowest possible risk, through managing the debt, and to ensure accountability, responsibility and transparency throughout the process.

## 4. DUE DILIGENCE

Each official involved in the process of debt must do so with such judgments and care, under prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in managing his or her own affairs and with his or her primary goal to protect the municipality's cash resources, the municipality's interests with its funders, and in general the municipality's good name.

## 5. DELEGATIONS

The management of all cash resources of the municipality is the responsibility of the Accounting Officer. The Accounting Officer will be responsible for:

- the proper implementation of this policy;
- developing of a relevant system for delegation which will ensure administrative as well as operational effectiveness; and
- appropriate controls on balancing of the management of cash resources.

The Chief Financial Officer, as designated in writing by the Accounting Officer, should advise the Accounting officer on the exercise of powers and duties with regard to this policy, and assist the Accounting Officer in the administration of the cash resources, bank accounts and debt account.

The Accounting Officer may not delegate any powers or duties in the administration of the municipality's cash resources to any political structure or councilor and no council member is allowed to interfere or attempt to interfere in the management of the municipality's cash resources.

Any delegation by the Accounting Officer in terms of this policy:

- Must be in writing.
- Is subject to any restrictions and conditions as the Accounting Officer shall prescribe.
- May be either to a specific individual or to the holder of a specific position in the municipality and may not be a committee of officials.
- Can not deprive the Accounting officer of the responsibility concerning the exercise of delegated powers or the performance of the delegated duty.

The Accounting Officer may question any decision taken as a result of a delegation or sub-delegation in terms of this policy to confirm, amend or repeal, but no such amendment or repeal of an act may be done to break down any rights that would arise as a result of the decision.

For the implementation of this policy, any reference to "Accounting Officer" also means "any other person acting under a delegated power or function as exercising delegated by the Accounting Officer in terms of paragraph 5.

## 6. MANAGEMENT AND INTERNAL CONTROL PROCEDURES

The Accounting Officer, assisted by the Chief Financial Officer must take all reasonable steps to ensure:

- That the municipality has a managerial-, accounting- and information system to maintain all debt-, accounts-, receipting-, withdrawals- and debt transactions.
- That, in the case of debt, amounts due been calculated on a bi-annual basis
- That the municipality have a system of internal controls over bank- and debt accounts, receipting-, withdrawal- and debt transactions.

## 7. DEBT

### 7.1. Debt Management

The Accounting Officer is responsible for the administration of all debt procedures and must take all reasonable steps to ensure that debts are managed in compliance with all audit requirements and any legal requirements included as prescribed in the Law on Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 6 of the Act.

The Accounting Officer may delegate the duties, linked to investments.

### 7.2. Debt Ethics

All officials involved in the debt management process must act with fidelity, honesty, integrity and in the best interest of the municipality and must strive, within the sphere of influence of the officials, to prevent any impairment of the debt of the municipality and creating solvency problems.

No officials involved in the debt management process should use his or her position or privileges as, or confidential information obtained in the process for personal gain or unfair advantage to another person.

The Accounting Officer must report as soon as practicable to the Mayor as well as the National Treasury any alleged violation of the above and may also make recommendations whether the alleged offending party must be listed on the National Treasury's database of persons prohibited from doing any business with the public sector. Any such report by the Accounting Officer must complete details of the alleged violation and a written response from the alleged offending party, as proof that the alleged offending party did receive the allegations in writing and had at least 7 (seven) working days to respond to the allegations. Any sponsor, offered or granted to the municipality must be immediately reported to the National Treasury.

## 7.3. Types of Debt

### 7.3.1. Short-term Debt

To ensure that the municipality has sufficient cash to meet the objectives of local government, as contained in Article 152 of the Constitution of the Republic of South Africa (Act 108 of 1996), it is sometimes necessary to obtain short-term financing in order to finance cash shortages in a financial year to cover the bridging operation and / or temporary capital financing. Short-term debts may only be incurred if the Council is convinced that it will be refunded during the financial year and a report to the Council should indicate how and when it will be repaid, with specific reference to the conditions set in Article 45 of the Act on Local Government: Municipal Finance Management Act (Act No. 56 of 2003).

No debt agreement for short-term debts may be incurred for a period that expires after the end of the financial year in which they are incurred. The Accounting Officer must, as part of the budgeting, determine in time whether the Council will need short term debt for the new financial year ahead and take such steps to ensure that the Council could consider a debt agreement before the date on which the Council will require such financing.

By considering the cash flow of the municipality it must be provide for emergency situations that additional cash may be needed and should be kept in mind to determine whether the Council should enter into short-term debts. Nothing prevents the Accounting Officer, if it appears that during the financial year a cash shortage arises, to obtain approval from the Council for the introduction of short-term debts. However if it will not be repaid in the same financial year as a result of underperformance in terms of credit or over expenditure, the Council is not allowed to approve such agreement.

The conditions set out in Chapter 6 of the Act on Local Government: Municipal Finance Management, 2003 (Act No. 56 of 2003) must at all times be complied with by the Accounting Officer.

### 7.3.2. Long-term Debt - Capital Asset

The Council has an obligation to acquire assets in order to ensure service delivery, however it is not always possible for the Council to finance these assets from its own cash reserves. It is for this purpose that the Council may incur long-term debt. No capital projects may be entered into before the financing sources have been considered, approved and are available. For the purposes of this, "available" means a legally enforceable document in the municipality's possession that guarantees the funding. Short-term bridging finance for capital expenditure may be incurred in anticipation of the disbursement of the long-term debt, provided that the long-term financing is "available" and the conditions for engaging in short-term debts, as per par.7.3.1 above, are met.

The cost of long-term assets which may be incurred include capitalized interest for a reasonable time, the cost of securities, finance costs, advertising, legal, advisory, trustee, credit ratings and other costs of finance, professional services, where it directly applicable to the project and other amounts that the Minister of Finance may approve.

The terms of repayment of any debt must be calculated according to the expected useful life of the assets financed with the debt. No long-term debt may be incurred if it is not compatible with the Municipality's capital budget, excluded for refinancing.

### 7.3.3. Long-term Debt - Refinancing

The Municipality is, in terms of Section 46 (5) of the Act on Local Government: Municipal Finance Management Act, 2003, allowed refinancing of long-term debt with the aim to save on the cost of debt. The Accounting Officer must, for this purpose, at least annually and as part of the budget process evaluate and report to the Council about the cost of existing debt, or if the refinancing is a benefit to the Municipality. As part of the evaluation, the Accounting Officer should consider if a once-off payment at the end of the loan period would not be more favorable to the Municipality if the repayments are invested in an investment fund with reasonable projected return on such investment.

Refinancing may only be for long-term debt which has been incurred lawfully in the past and with the further condition that the loan period does not exceed the expected lifespan of the assets financed thereby.

### 7.4. Security for Debt

It is common practice that investors or financiers required security for granting loans. The municipality will provide security for the inclusion of debt, as set out in section 48 of the Act on Local Government: Municipal Finance Management Act, 2003, but the Council will consider each form of security, together with the debt agreement.

### 7.5. Procedures for debt approval and securities

The procedures for approval of debt and debt security are defined in Chapter 6 of the Act on Local Government: Municipal Finance Management Act, 2003. For completeness of this policy is shown below:

#### 7.5.1. Short-term Debt

"MFMA Sec45 (2) A municipality may incur short-term debt only if -

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

#### 7.5.2. Long-term Debt

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

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

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

- (a) Has, in accordance with section 21A of the Municipal System Act-
  - (i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public in an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and
  - (ii) Invited the public, the National Treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and
- (b) Has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of-
  - (i) The essential repayment terms, including the anticipated debt repayment schedule; and
  - (ii) The anticipated total cost in connection with such debt over the repayment period."

#### 7.5.3. Security

"MFMA Sec48 (3) A council resolution authorizing the provision of security in terms of subsection (2) (a) -

- (a) Must determine whether the asset or right with respect to which the security is provided, is necessary for providing the minimum level of basic municipal services; and
  - (b) If so, must indicate the manner in which the availability of the asset or right for the provision of that minimum level of basic municipal services will be protected.
- (4) If the resolution has determined that the asset or right is necessary for providing the minimum level of basic municipal services, neither the party to whom the municipal security is provided, nor any successor or assignee of such party, may, in the event of a default by the municipality, deal with the asset or right in a manner that would preclude or impede the continuation of that minimum level of basic municipal services.
- (5) A determination in terms of subsection (3) that an asset or right is not necessary for providing the minimum level of basic municipal services is binding on the



municipality until the secured debt has been paid in full or the secured obligations have been performed in full, as the case may be.”

#### 7.6. Cost of Debt

The municipality must guard that the cost of long-term debt do not rise to such a level that it has a remarkable negative effect on taxes or other municipal charges such as maintenance. The maximum percentage of the operating budget for the repayment of debt must be calculated in the municipality's long-term budget with thorough consideration of the needs identified in the Integrated Development Plan, the cost of new or replacement of existing infrastructure and equipment and other administrative needs.

#### 7.7. Competitive Bidding

The Accounting Officer should adhere to the process as per Supply Chain policy when considering the bids received. For purposes of evaluating tenders in terms of costs, the expected interest debt over the full term of the proposed debt agreement calculated and used as the basis for the 80/20 and 90/10 allocations.

#### 7.8. Types of Debt and Financing sources

The types of debt that may be incurred and the debt financing which may be incurred are as follows:

##### 7.8.1. Types of Short-term Debt

- Bank overdraft
- Short Term Loans
- Marketable Bonds
- Non-Marketable Bonds
- Other Securities

##### 7.8.2. Types of Long-term Debt

- Long-Term Loans
- Installment Credits
- Finance Leasing
- Marketable Bonds
- Non-Marketable Bonds
- Other Securities

#### 7.8.3. Financing Sources

- Public
- Banks
- Development Bank of South Africa
- Infrastructure Finance Corporation
- Public Investment Commissioners
- Insurance Companies
- Municipal Pension Funds
- Other Public Pension Funds
- Bond Trusts
- Internal Funds
- Other Sources

#### 7.9. Commission or Cost

No Commission is payable to an officer or board member, or spouse to, business partner or immediate relative of an officer or board member by an institution, investors or financiers, for any reference made by them.

Any commission, fee or other compensation paid to any person by an institution must certify to the municipality by the institution through a certificate. Any quotation / tender to the municipality given by an institution must be net of fees, commissions or rewards, but also need to include commission, rewards or costs, that will be paid in respect of the debt.

#### 7.10. Performance

The Accounting Officer must annually measure and report to the Council on the performance of its debt in terms of the stipulated objectives of this policy.

#### 7.11. Forbidden activities

- No debt may be made otherwise than in the name of the municipality.
- Money cannot be borrowed for the purpose of investments.
- No person, including officers and council members, may interfere or attempt to interfere in the management of fault attributed to the Accounting Officer or persons delegated by the Accounting Officer.
- No debt may be made in any other currency than the Rand, and that is not linked, or is affected by any change in the value of the Rand against any foreign currency.
- No debt shall be made for expenses not related to the functions and powers of the municipality.



#### **7.12. Reporting**

The Accounting Officer must within 10 working days after the end of each quarter furnish the Mayor with a report setting out the detail of each debt portfolio. The above report must be in the format provided by National Treasury for reporting and monitoring of debt...

#### **8. Review of the Policy**

This Debt Policy is the only policy of the municipality and replaces any past policies in this regard. Any revision of the policy must be approved by the Municipal Council. All proposed changes to this policy should be tabled by the Mayor as part of the annual review of policies and budget documentation. Whenever the Minister of Finance or the National Treasury or the Auditor - General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council. Such submission must be accompanied with a full description of the reasons for the change to the policy.

**Date of adoption: 1 July 2015**

# SWARTLAND MUNICIPALITY



## VIREMENT POLICY

REVIEWED AND NOT AMENDED

MARCH 2021

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## 1. PURPOSE

- 1.1 The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.
- 1.2 Section 81(1)(d) of the MFMA states inter alia “that The Chief Financial Officer of the Municipality must advise senior Managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of section 79”.
- 1.3 It is the responsibility of each Executive Director of each Directorate to which funds are allocated, to plan and conduct assigned operations so as not to spend more funds than budgeted for and to ensure that funds are utilized effectively and efficiently.
- 1.4 Section 78 (1) of the MFMA states inter alia that “Each Senior Manager of a Municipality and each official of a Municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that in terms of Section 78(1) (b) the financial and other resources of the Municipality are utilized effectively, efficiently, economically and transparently”
- 1.5 No expenditure may be incurred unless provision therefore has been made in the operating and capital budgets. Refer to section 15 of the M.F.M.A. in this regard.

## 2. DEFINITIONS (CHAPTER 1 OF MFMA)

### 2.1 Accounting Officer

- 2.1.1 “(a) in relation to a municipality, means the Municipal official referred to in section 60”

*“The municipal manager of a municipality is the accounting officer of the municipality for the purposes of this Act, and, as accounting officer, must—*

- (a) *exercise the functions and powers assigned to an accounting officer in terms of this Act; and*
- (b) *provide guidance and advice on compliance with this Act to—*
  - (i) *the political structures, political office-bearers and officials of the municipality; and*
  - (ii) *any municipal entity under the sole or shared control of the municipality.”*

### 2.2 Adjustments Budget

Means a budget

- (a) As described in Section 28 of the MFMA i.e.

- (1) *A municipality may revise an approved annual budget through an adjustments budget.*
- (2) *An adjustments budget—*
  - (a) *must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
  - (b) *may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
  - (c) *may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
  - (d) *may authorise the utilisation of projected savings in one vote towards spending under another vote;*
  - (e) *may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;*
  - (f) *may correct any errors in the annual budget; and*
  - (g) *may provide for any other expenditure within a prescribed framework.*
- (3) *An adjustments budget must be in a prescribed form.*
- (4) *Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2)(b) to (g) may only be tabled within any prescribed limitations as to timing or frequency.*
- (5) *When an adjustments budget is tabled, it must be accompanied by—*
  - (a) *an explanation how the adjustments budget affects the annual budget;*
  - (b) *a motivation of any material changes to the annual budget;*
  - (c) *an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and*
  - (d) *any other supporting documentation that may be prescribed.*
- (6) *Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.*

(7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

(b) Also in terms of Part 4 of the Municipal Budget and Reporting Regulations.

### 2.3 Approved Budget

"Means an annual budget –

2.3.1 (a) approved by a Municipal Council; or

2.3.2 (b) approved by a Provincial or the National Executive following an intervention in terms of section 139 of the constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28 and of the Municipal Budget and Reporting Regulations."

### 2.4 Chief Financial Officer

2.4.1 "means a person designated in terms of section 80(2) (a)".

"(2) A budget and treasury office consists of—

(a) A chief financial officer designated by the accounting officer of the municipality."

### 2.5 Department

2.5.1 The definition of "Department will be set at the Directorate level e.g. Civil department, Financial services department etcetera.

### 2.6 Executive Directors

2.6.1 Section 56 of the Systems Act states inter alia that : "Appointment of managers directly accountable to Municipal Managers – (a) a Municipal Council, after consultation with the Municipal Manager, appoints a manager directly accountable to the Municipal Manager."

### 2.7 Financial year

2.7.1 Means a year ending on 30 June.

### 2.8 Line Item

2.8.1 The definition of a line item for Swartland Municipality is a specific item within a functional area e.g. stationary and consumables.

### 2.9 MFMA Vote

2.9.1 "(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 purpose of the department or functional area concerned."

2.9.2 The definition of a "VOTE" for Swartland Municipality is set at the Directorate level in line with table A3 and A5 of the Municipal Budget Reporting Regulations e.g. Civil Services, Corporate Services etc.

### 2.10 Virement

2.10.1 The process of transferring an approved budgetary provision from one operating cost element or capital project to another during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

## 3. REGULATION ON BUDGET VERSUS EXPENDITURE – MFMA

3.1 The MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.

### 3.1.1 Section 15 – Appropriation of funds for expenditure

"A Municipality, may except where otherwise provided in the Act, incur expenditure only –

(a) In terms of an approved budget, and

(b) Within the limits of the amounts appropriated for the different votes in the approved budget."

### 3.1.2 Unauthorised Expenditure (M.F.M.A. Definition)

"in relation to a Municipality, means any expenditure incurred by a Municipality otherwise than in accordance with section 15 or 11 (3), and includes –

(a) Overspending of the total amount appropriated in the Municipality's approved budget;

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

(c) Expenditure from a Vote unrelated to the department or functional area covered by the vote;

(d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.

- (e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of “allocation” otherwise than in accordance with any conditions of the allocation; or
- (f) A grant by the Municipality otherwise than in accordance with this act.”

#### 3.1.3 Overspending (MFMA Definition)

- (a) “in relation to the budget of a Municipality, 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, means causing expenditure under that section to exceed the limits in subsection (5) of that section.”

3.1.4 Section 71 (1) (g) (iii) states inter alia (i) “ The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the Municipality and the relevant provincial treasury a statement in the prescribed format on the state of the Municipality’s budget reflected the following particulars for that month and for the financial year up to the end of that month – (g) when necessary, an explanation of – (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the Municipality’s approved budget”.

#### 4. VIREMENT REQUIREMENTS

- 4.1 Virements represents a flexible mechanism to affect budgetary amendments within a Municipal financial year, and represents the major mechanism to align and take corrective (financial / budgetary) action within a Directorate during a financial year.
- 4.2 To transfer funds from one vote (functional area) or capital project to another vote (functional area) or capital project, or transfer funds within a vote (line item to line item), a saving has to be identified within the monetary limitations of the approved vote or capital project allocations on the respective budgets.

- 4.3 Any budgetary amendments of which the net impact will result in exceeding the approved annual budget allocation for a vote and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA section 28)

- 4.4 In terms of Section 17 of the MFMA a municipality’s budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.

#### 5. DELEGATIONS

- 5.1 Subject to the further stipulations and conditions in this policy, the authority is delegated to every Director to vire not more than four times (debits and credits combined) per line item within a given financial year. A fifth virement would require approval by the CFO and Municipal Manager via a memorandum.

The same apply to not vire more than 25% of a line item’s budget. This includes from and to a line item. Deviation would require approval by the CFO and Municipal Manager via a memorandum.

- 5.2 Virements between departments would require approval by the CFO and Municipal Manager via a memorandum.

- 5.3 Only the CFO and MM may approve virements between the different finance sources, except for conditional grants or any other external source of finance.

#### 6. OPERATING BUDGET

- 6.1 Virements are not allowed to utilise any special purpose operating budgetary allocations approved by Council and which is specifically mentioned and highlighted as such during the approval of the budget.
- 6.2 Only the CFO and MM may consider the virements of these funds mentioned in above and only after full motivations were provided for these virements.

### 6.3 Salaries and Vehicle costing system

- 6.3.1 No Virements to and from salary related line items will be allowed unless special permission is received from the MM or CFO. Only the Budget Office will be permitted to do the virement.
- 6.3.2 Any savings identified for the filling of approved vacant posts not budgeted for can only be vired as stipulated under 6.2.
- 6.3.2 No Virements to and from the vehicle costing system will be allowed unless special permission is received from the MM or CFO. Only the Budget Office will be permitted to do the virement.
- 6.3.4 If a vehicle is needed to be repaired, a virement request will be completed and forwarded to the budget office for processing once approval has been given through by supply chain management officials. There will be one global amount under the Finance Department where the funds will be viremented to the respective vehicle costing item upon receipt of a valid virement request.

### 6.4 Other Expenditure

- 6.4.1 Virements to and from the following items are not allowed: Bulk purchases; Debt Impairment, Interest Charges; Depreciation, Grants to Individuals, Revenue foregone, Insurance, Vat and other non-cashed items as determined by the Chief Financial Officer.
- 6.4.2 Virements in respect of expenditure votes financed from grants or any other external source of finance must be aligned to the specific amended business or support plan.
- 6.4.3 No Virements to and from line items linked to contracts/tenders in the operating budget e.g. Security Services, Sweeping of Streets and Highlands Refuse Dump: Recycling will be permitted unless special permission is received from the MM and CFO. Only the Budget Office will be permitted to do the virement.

- 6.4.4 Budgeted amounts in respect of a new approved project which are due to changed circumstances, not executed at all, can only be viremented if approved by the MM and CFO.

### 6.5 Revenue

- 6.5.1 No virements are permitted in relation to the Revenue side of the Budget.
- 6.5.2 Revenue amendments are to be adopted via an adjustments Budget.

### 6.6 Confirmation

The virements of any savings amount is subject to the confirmation of the Chief Expenditure.

## 7. CAPITAL BUDGET

- 7.1 Virements with the result in adding 'new' projects to the Capital Budget will not be allowed unless approved by council. Motivation will be required.
- 7.2 Virements in respect of savings on capital projects will only be permitted if allocated to projects approved as part of the annual or adjustment budgets or the 3 year capital program of the Council.
- 7.3 Budgeted amounts in respect of approved capital projects which are, due to changed circumstances, not executed, can only be vired by Council.
- 7.4 Virements of Conditional Grant funds to purposes outside of that specified in the relevant Conditional Grant framework is not permitted.
- 7.5 Virements of Capital Projects can only be approved between projects of similar funding sources (e.g. MIG to MIG).

8. PROCESS AND ACCOUNTABILITY

8.1 Virements application forms as per annexure A must be completed in accordance with Council's virements policy.

8.2 Completed virements documentation must be verified by the Chief Financial Officer or in terms of the delegation authority assigned to the Chief Financial Officer, by the Manager/Head: Budget Office as confirmation of available funds and/or savings.

8.3 Virements approved by the Municipal Manager and Directors will be reported to the Admin and Finance Committee on a monthly basis as part of the Chief Financial Officer's monthly reports.

**Review of the Policy**

**Date of adoption: 1 July 2011**

**Amended: 17 June 2012**

**Amended: 13 May 2015**

**Amended: 25 May 2017**

**Amended: 26 October 2017**

**Amended: 30 May 2019**

**Amended: 28 May 2020**



# SWARTLAND MUNICIPALITY

## ASSET MANAGEMENT POLICY

**REVIEWED AND AMENDED  
MARCH 2021**

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## PREAMBLE

Whereas section 14 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) determines that a municipal council may not dispose of assets required to provide minimum services, and whereas the Municipal Asset Transfer Regulations (Government Gazette 31346 dated 22 August 2008) has been issued,

- and whereas the Municipal Council of Swartland Local Municipality wishes to adopt a policy to guide the municipal manager in the management of the municipality's assets,

- and whereas the Municipal Manager as custodian of municipal funds and assets is responsible for the implementation of the asset management policy which regulate the acquisition, safeguarding and maintenance of all assets,

- and whereas these assets must be protected over their useful life and may be used in the production or supply of goods and services or for administrative purposes,

- now therefore the Municipal Council of the Swartland Local Municipality adopts the following asset management policy:

## ABBREVIATIONS AND DEFINITIONS

AM	Asset Management
AMS	Asset Management System
AR	Asset Register
CFO	Chief Financial Officer
CRR	Capital Replacement Reserve
GRAP	Standards of Generally Recognised Accounting Practice
IA	Intangible Assets
IAR	Infrastructure Asset Register
IDP	Integrated Development Plan
IIMM	International Infrastructure Management Manual
IP	Investment Property
LM	Local Municipality
MFMA	Municipal Finance Management Act
MSA	Municipal Services Act
NT	National Treasury
OHSA	Occupational Health and Safety Act
PPE	Property, Plant and Equipment
SARS	South African Revenue Service
SDBIP	Service Delivery and Budget Implementation Plan

**Amortisation** is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

**Assets** are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

**Accounting Officer** means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998) and being the head of administration and accounting officer in terms of section 55 of the Local Government: Municipal Systems Act 2000 (Act no. 32 of 2000).

**Agricultural Produce** is the harvested product of the municipality's biological assets.

**Biological Assets** are defined as living animals or plants.

**Capital Assets (assets)** are items of Biological Assets, Intangible Assets, Investment Property or Property, Plant or Equipment defined in this Policy.

**Carrying Amount** is the amount at which an asset is included in the statement of financial position after deducting any accumulated depreciation (or amortisation) and accumulated impairment losses thereon.

**Cash-generating assets** are assets used with the objective of generating a commercial return.

**Commercial return** means that positive cash flows are expected to be significantly higher than the cost of the asset.

**Chief Financial Officer (CFO)** means an officer of a municipality designated by the Municipal Manager to be administratively in charge of the budgetary and treasury functions.

**Commercial Return** means that positive cash flows are expected to be significantly higher than the cost of the asset.

**Community Assets** are defined as any asset that contributes to the community's well-being. Examples are parks, libraries and fire stations.

**Cost** is 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.

**Current replacement cost** is the cost the entity would incur to acquire the asset on the reporting date.

**Depreciable Amount** is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value.

**Depreciation** is the systematic allocation of the depreciable amount of an asset over its useful life.

**Fair Value** is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of items of plant and equipment is usually their market value determined by appraisal, while the fair value of land and buildings is usually determined from market-based evidence by appraisal.

**Fair value less cost to sell** is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**GRAP** are standards of Generally Recognised Accounting Practice.

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

**Infrastructure Assets** are defined as any asset that is part of a network of similar assets. Examples are roads, water reticulation schemes, sewerage purification and trunk mains, transport terminals and car parks.

**Intangible Assets** are defined as identifiable non-monetary assets without physical substance.

**Investment Properties** are defined as properties (land or buildings) that are acquired for economic and capital gains. Examples are office parks and undeveloped land acquired for the purpose of resale in future years or vacant stand held for undetermined future use.

**Involuntary Disposals** is the act of accounting for an asset that was lost, stolen, destroyed, or any other form of unplanned alienation, including natural disasters and damage suffered from riot or strike action, without consent, or intention of management or council. There is no intention or decision to generate a profit, discharge a liability or recuperate the value of an asset no longer in use or retired, and there was no exchange of resources.

**Land** is defined as a class of PPE when the land is held for purposes such as administration and provision of services. Land therefore excludes Investment properties and Land Inventories.

**MFMA** refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

**Movable Assets** are defined as assets that are not fixed and utilised in normal operations. Examples are plant and equipment, motor vehicles and furniture and fittings.

**Net realisable value** is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

**Non-cash-generating assets** are assets other than cash generating assets.

**Other Assets** are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles, municipal buildings and furniture and fittings.

**Property, Plant and Equipment (PPE)** are tangible assets that:

- (a) Are held by a municipality 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 period.

**Recoverable Amount** is the amount that the municipality expects to recover from the future use of an asset, including its residual value on disposal.

**Recoverable Service Amount** is the higher of a non-cash generating asset's fair value less cost to sell and its value in use.

**Residual Value** is the net amount that the municipality expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

**Revalued amount** is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**Useful Life is:**

- (a) The period of time over which an asset is expected to be used by the municipality; or
- (b) The number of production or similar units expected to be obtained from the asset by the municipality's accounting officer.

**Voluntary Disposal** is the act of taking a decision to dispose of an asset to generate a profit, discharge a liability or recuperate the value of an asset no longer in use or retired.

**Write-off** includes the sale, loss, theft, destruction, decommissioning, derecognition or any other form of alienation that is the result of loss of control of the asset in question.

## 1. OBJECTIVE

The MFMA was introduced with the objective of improving accounting in the municipalities sector in keeping with global trends. Good asset management is critical to any business environment whether in the private or public sector. In the past municipalities used a cash-based system to account for assets, but since the adoption of GRAP, entities are required to prepare financial statements using the accrual basis of accounting per GRAP 1.

With an accrual system the assets are incorporated into the books of accounts and systematically written off over their anticipated lives. This necessitates that a record is kept of the cost of the assets, the assets are verified periodically, and the assets can be traced to their suppliers via invoices or other such related delivery documents. This ensures good financial discipline, and allows decision makers greater control over the management of assets. An Asset Management Policy should promote efficient and effective monitoring and control of assets.

According to the MFMA, the Accounting Officer in the Municipality should ensure:

- a) that the municipality has and maintains an effective and efficient and transparent system of financial and risk management and internal control;
- b) the effective, efficient and economical use of the resources of the municipality;
- c) the management (including safeguarding and maintenance) of the assets of the municipality;
- d) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
- e) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and
- f) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

The objective of this Asset Management Policy is to ensure that the municipality:

- a) consistently applies asset management principles;
- b) applies accrual accounting;
- c) complies with the MFMA, GRAP and other related legislation;
- d) safeguards and controls the assets of the municipality; and
- e) optimises asset usage.

MSCOA has been implemented in the financial function of Swartland Municipality. The implementation of mSCOA will result in the consistent application of the municipal accountability cycle from planning, budgeting, implementation, monitoring and reporting and ultimately improved service delivery.

## 2. LEGISLATIVE FRAMEWORK

### 2.1. LEGAL FRAMEWORK

A municipality exercises its legislative and executive authority by, among others, developing and adopting policies, plans, strategies and programmes, including setting targets for delivery (section 11(3) of the MSA).

Participation by the local community in the affairs of the municipality must take place through, among others, generally applying the provisions for participation as provided for in the MSA (section 17(1) of the MSA).

A municipality must communicate to its community information concerning, among others, municipal governance, management and development (section 18(1) of the MSA).

As head of administration the Municipal Manager is, subject to the policy directions of the municipal council, responsible and accountable for, among others, the following:

- The management of the provision of services to the local community in a sustainable and equitable manner;
- Advising the political structures and political office bearers of the municipality (section 55(1) of the MSA); and
- Providing guidance and advice on compliance with the MFMA to the political structures, political office-bearers and officials of the municipality (section 60 of the MFMA).

The accounting officer of the municipality is responsible and accountable for, among others, all assets of the municipality (section 55(2) of the MSA).

The accounting officer must take all reasonable steps to ensure, among others, that the resources of the municipality are used effectively, efficiently and economically (section 62(1) of the MFMA).

### 2.2. RATIONALE FOR MANAGEMENT OF ASSETS

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objectives:

- Providing democratic and accountable government for local communities;
- Ensuring the provision of services to communities in a sustainable manner;
- Promoting social and economic development;
- Promoting a safe and healthy environment; and
- Encouraging the involvement of communities and community organisations in matters of local government.

In terms of the section 63 of the MFMA, the accounting officer is responsible for managing the assets and liabilities of the municipality, including the safeguarding and maintenance of its assets.

The MFMA further requires the accounting officer to ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for its assets and liabilities;
- The municipality's assets are valued in accordance with standards of generally recognised accounting practice; and
- The municipality has and maintains a system of internal control of assets and liabilities.

The OHSA requires the municipality to provide and maintain a safe and healthy working environment, and in particular, to keep its infrastructure assets safe.

According to the International Infrastructure Management Manual (IIMM), the goal of infrastructure asset management is to meet a required level of service, in the most cost effective manner, through the management of assets for present and future customers.

The core principles of infrastructure asset management are:

1. Taking a lifecycle approach;
2. Developing cost-effective management strategies for the long-term;
3. Providing a defined level of service and monitoring performance;
4. Understanding and meeting the impact of growth through demand management and infrastructure investment;
5. Managing risks associated with asset failures;
6. Sustainable use of physical resources; and
7. Continuous improvement in asset management practices.

## 3. POLICY FRAMEWORK:

### 3.1. POLICY OBJECTIVE

The municipality is committed to providing municipal services for which the municipality is responsible, in a transparent, accountable and sustainable manner and in accordance with sound infrastructure management principles.

The main challenges associated with managing assets can be characterised as follows:

- a) Moveable assets – controlling acquisition, location, use, and disposal (over a relatively short-term lifespan)
- b) Immovable assets – lifecycle management (over a relatively long-term lifespan).

The policy approach has been to firstly focus on the financial treatment of assets, which needs to be consistent across both the movable and immovable assets, and secondly to focus on the management of immovable assets as a fundamental departure point for service delivery.

### 3.2. POLICY PRINCIPLES

The following policy principles serve as a framework for the achievement of the policy objective:

#### 3.2.1 Effective Governance

The municipality strives to apply effective governance systems to provide for consistent asset management and maintenance planning in adherence to and compliance with all applicable legislation to ensure that asset management is conducted properly, and municipal services are provided as expected. To this end, the municipality will:

- Adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- Regularly review and update amendments to the above legislation;
- Review and update its current policies and by-laws to ensure compliance with the requirements of prevailing legislation; and
- Effectively apply legislation for the benefit of the community.

#### 3.2.2 Sustainable Service Delivery

The municipality strives to provide to its customers services that are technically, environmentally and financially sustainable. To this end, the municipality will:

- Identify levels and standards of service that conform to statutory requirements and rules for their application based on the long-term affordability to the municipality;
- Identify technical and functional performance criteria and measures, and establish a commensurate monitoring and evaluation system;
- Identify current and future demand for services, and demand management strategies;
- Set time-based targets for service delivery that reflect the need to newly construct, upgrade, renew, and dispose assets, where applicable in line with national targets;
- Apply a risk management process to identify service delivery risks at asset level and appropriate responses;
- Prepare and adopt an immovable (infrastructure) asset management strategy and immovable (infrastructure) asset management plans to support the achievement of the required performance;
- Prepare and adopt an immovable (infrastructure) asset maintenance strategy and immovable (infrastructure) asset maintenance plans to execute maintenance timeously;
- Allocate budgets that take cognisance of the full life cycle needs of existing and future assets;
- Implement its Tariff and Credit Control and Debt Collection Policies to sustain and protect the affordability of services by the community.

#### 3.2.3 Social and Economic Development

The municipality strives to promote social and economic development in its municipal area by means of delivering municipal services in a manner that meet the needs of the various customer user-groups in the community. To this end, the municipality will:

- Regularly review its understanding of customer needs and expectations through effective consultation processes covering all service areas;
- Implement changes to services in response to changing customer needs and expectations where appropriate;
- Foster the appropriate use of services through the provision of clear and appropriate information;
- Ensure services are managed to deliver the agreed levels and standards; and
- Create job opportunities and promote skills development in support of the national EPWP.

#### 3.2.4 Custodianship

The municipality strives to be a responsible custodian and guardian of the community's assets for current and future generations. To this end, the municipality will:

- Establish a spatial development framework that takes cognisance of the affordability to the municipality of various development scenarios;
- Establish appropriate development control measures including community information;
- Cultivate an attitude of responsible utilisation and maintenance of its assets, in partnership with the community;
- Ensure that heritage resources are identified and protected; and
- Ensure a long-term view and lifecycle costs are taken into account in immovable asset management decisions.

#### 3.2.5 Transparency

The municipality strives to manage its immovable assets in a manner that is transparent to all its customers, both now and in the future. To this end, the municipality will:

- Develop and maintain a culture of regular consultation with the community with regard to its management of immovable assets in support of service delivery;
- Clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);
- Avail asset management information on a ward basis; and
- Continuously develop the skills of councillors and officials to effectively communicate with the community with regard to service levels and standards.

### 3.2.6 Cost-effectiveness and Efficiency

The municipality strives to manage its immovable assets in an efficient and effective manner. To this end, the municipality will:

- Assess lifecycle options for proposed new immovable assets;
- Regularly review the actual extent, nature, utilisation, criticality, performance and condition of immovable assets to optimise planning and implementation works;
- Assess and implement the most appropriate maintenance of infrastructure assets to achieve the required network performance standards and to achieve the expected useful life of immovable assets;
- Ensure the proper utilisation and maintenance of existing assets;
- Establish and implement demand management plans;
- Timeously renew immovable assets based on capacity, performance, risk exposure, and cost;
- Timeously dispose of immovable assets that are no longer in use;
- Establish documented processes, systems and data to support effective lifecycle immovable asset management;
- Strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
- Conduct annual assessments to support continuous improvement of immovable asset management practice.

## 4. ASSET RECOGNITION

### 4.1. CLASSIFICATION OF CAPITAL ASSETS

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#### General

When accounting for Capital Assets, the municipality should follow the relevant standards of GRAP relating to the capital assets. An item is recognised in the statement of financial position as a Capital Asset if it satisfies the definition and the criteria for recognition of assets. The first step in the recognition process is to establish whether the item meets the definition of an asset. Secondly, the nature of the asset should be determined, and thereafter the recognition criterion is applied.

Capital Assets are classified into the following categories for financial reporting purposes:

#### 1. Property, Plant and Equipment (GRAP 17)

- Land (land not held as investment property)
- Infrastructure Assets (immovable assets that are used to provide basic services)
- Community Assets (resources contributing to the general well-being of the community)
- Owner Occupied Housing Assets (occupied by employees which are required as part of their employment to be located in a specific area)
- Movable Assets (non-fixed operational resources)
- Other Assets (ordinary operational resources, mainly buildings)

#### 2. Investment Property (GRAP 16)

#### 3. Intangible Assets (GRAP 102)

#### 4. Biological Assets (GRAP 27 (to be replaced by GRAP 110))

#### 5. Heritage Assets (GRAP 103)

When accounting for Current Assets (that is of capital nature), the municipality should follow the relevant standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following categories for financial reporting purposes:

#### 7. Land Inventories (GRAP 12)

- Land Inventories (land or buildings owned or acquired with the intention of selling or distributing such property in the ordinary course of business)

Further asset classification has not been defined in GRAP. The examples of infrastructure assets include road networks, sewer systems, water and power supply systems and communication networks. Current classifications used for infrastructure are limited and do not represent all asset types. To facilitate the practical management of infrastructure assets and asset register data, infrastructure assets have been further classified. The recommended classifications are provided in Annexure A.

### Policy

The asset classification specified by GRAP shall be adhered to as a minimum standard. The extended asset classification specified in Annexure A shall be adopted. The CFO shall ensure that the classifications adopted by the municipality are adhered to

## 4.2. IDENTIFICATION OF ASSETS

### General

An asset identification system is a means to uniquely identify each asset in the municipality in order to ensure that each asset can be accounted for on an individual basis. Movable assets are usually identified using a barcode system by attaching a barcode to each item. Immovable assets are usually identified by means of an accurate description of their physical location. For this purpose, a Geo-spatial identification system (GIS) is used as far as possible resulting in a GIS-ID.

In exceptional cases, where it is impractical to barcode assets, barcodes will not be used to verify assets, but rather the location of the asset. This exception is only allowed for equipment where the barcodes are expected to fall off during the use of the asset (e.g. jackhammers or impact tools) and for fixtures where barcoding is not required in order to identify the asset (i.e. an air-conditioning unit in an office or for signage). Where barcodes have fallen off the assets, the asset unit should be promptly notified. Barcodes that has fallen off must at least be replaced during the annual verification.

### Policy

An asset identification system shall be operated and applied in conjunction with an asset register. As far as practicable, every individual asset shall have a unique identification number. The CFO shall develop and implement an asset identification system, while acting in consultation with the Executive Directors.

## 4.3. ASSET REGISTER

### General

An asset register is a database of information related to all the assets under the control of the municipality. The asset register consists of an inventory of all the assets, with each asset having a unique identifying number. Data related to each asset should be able to be stored in the asset register. The data requirements for the asset register are as follows:

Data	Land	Movable	Infrastructure / building
<b>Identification</b>			
•Unique identification number or asset mark	✓	✓	✓
•Unique name	✓	✓	✓
•Internal Classification	✓	✓	✓
•Descriptive data (make, model, etc.)	✓	✓	✓
•Erf/Registration number	✓	✓	✓
Location	✓	✓	✓
•Title deed reference	✓		
<b>Accountability</b>			
•Department	✓	✓	✓
<b>Performance</b>			
•Age		✓	✓
•Condition		✓	✓
•Remaining Useful life		✓	✓
•Expected Useful Life		✓	✓
<b>Accounting</b>			
•Historic cost	✓	✓	✓
•Take-on value	✓	✓	✓
•Take-on date	✓	✓	✓
•Re-valued amount (where assets were re-valued)	✓	✓	✓
•Valuation difference (for purposes of revaluation reserve and depreciation)	✓	✓	✓
•Depreciation method		✓	✓

Data	Land	Movable	Infrastructure / building
•Depreciation portion that should be transferred from Revaluation reserve to accumulated depreciation (where assets were re-valued)		✓	✓
•Depreciation charge for the current financial year		✓	✓
•Accumulated Depreciation	✓	✓	✓
•Impairment losses in the current year		✓	✓
•Reversal of impairment losses in the current year			
•Accumulated depreciation		✓	✓
•Carrying value	✓	✓	✓
•Residual value		✓	✓
•Source of financing	✓	✓	✓

Assets remain in the asset register for as long as they are in physical existence or until being written off. The fact that an asset has reached the end of its original useful life, or is impaired, is not in itself a reason for writing-off such an asset. The asset register does not include assets that belong to other third parties. These assets may be included as separable entities for control purposes.

#### Policy

An asset register shall be maintained for all assets. In some cases, separate sub-asset registers will be maintained. The format of the register shall include the data needed to comply with the applicable accounting standards and data needed for the technical management of the assets. The asset register should be continuously updated and asset records should be reconciled to the general ledger on a quarterly basis, where possible.

#### 4.4. RECOGNITION OF CAPITAL ASSETS: INITIAL MEASUREMENT

##### General

A Capital Asset should be recognised as an asset in the financial and asset records when:

- The entity has control of the asset;
- It is probable that future economic benefits or potential service delivery associated with the item will flow to the municipality;
- The cost or fair value of the item to the municipality can be measured reliably;
- The cost is above the municipal capitalisation threshold (if any); and
- The item is expected to be used during more than one financial year.

Spare parts and servicing equipment are usually carried as inventory in terms of GRAP 12 on Inventories and are recognised in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Further guidance for the recognition of assets is provided below:

##### Capitalisation Threshold

The capitalisation threshold is a policy decision of the municipality and determines which assets are capitalised and reported in the financial statements as tangible or intangible capital assets as opposed to being expensed in the year of acquisition. As a result, the threshold has a significant impact on the size of the asset register and the complexity of asset management. The capitalisation threshold should be determined annually by comparison against materiality and must be determined at a level that will ensure that the municipality does not deviate materially from the requirements of GRAP 17. The municipality's decision to utilise a capitalisation threshold is based on ASB's Guideline on the application of materiality of financial statements supported by GRAP 1: Presentation of Financial Statements.

The capitalisation threshold should not be applied to the components of an asset, but should be applied to the value of the capital asset as a whole. If the threshold is applied at component level, the asset register would be incomplete in the sense that an asset recorded as such would not be a complete asset. The municipality has taken the following into account when considering a capitalisation threshold:

- The impact of the threshold on the financial statements and the decisions/assessments the users of the financial statement may or may not make;
- The cost of maintaining financial and management information on assets when the threshold is very low;
- The impact on comparability and benchmarking cost of services may be difficult if different capitalisation thresholds are applied;
- The size of the municipality or the size of its service areas when setting a capitalisation threshold level. Municipalities vary greatly in size, so what is relevant to one may be immaterial to another.

The full threshold consideration is included as Annexure B.

##### Calculation of initial cost price

Only costs that comprise the purchase price and any directly attributable costs necessary for bringing the asset to its working condition should be capitalised. The purchase price exclusive of VAT should be capitalised, unless the municipality is not allowed to claim input VAT paid on acquisition of such assets. In such an instance, the municipality should capitalise the cost of the



asset together with VAT. Any trade discounts and rebates are deducted in arriving at the purchase price. Listed hereunder is a list, which is not exhaustive, of directly attributable costs:

- Costs of employee benefits (as defined in the applicable standard on Employee Benefits) arising directly from the construction or acquisition of the item of the Capital Asset
- The cost of site preparation;
- Initial delivery and handling costs;
- Installation costs;
- Professional fees such as for architects and engineers;
- The estimated cost of dismantling and removing the asset and restoring the site;
- Interest costs when incurred on a qualifying asset in terms of GRAP 5.

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

#### Component approach

The component approach is a GRAP-supported approach where complex assets are split into separate depreciable parts for recording. The key considerations in determining what should become a separately depreciable part (component) are:

- Significant cost in relation to the asset as a whole;
- Considerable difference in useful life;
- The frequency that the component is expected to be replaced; and
- The risk or significance of the component in relation to the usefulness of the asset as a whole;

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

#### Subsequent Expenses

The municipality should not recognise the costs of day-to-day servicing of the item in the carrying amount of an item of capital asset. These costs are recognised as expenditure as and when incurred. Day-to-day costs are primarily the costs of labour and consumables and may include the costs of small parts. The purpose of these expenditures is usually for the 'repair and maintenance' of the capital asset.

Parts of some capital assets may require replacement at regular intervals. For example, a road may need resurfacing every few years. It may be necessary to make less-frequently recurring replacement of parts, such as replacing the interior walls of a building, or to make a non-recurring replacement. Under the recognition principle, an entity recognises in the carrying amount of the capital asset the cost of replacing the part of such an item when that cost is incurred if the recognition criteria are met. At the same time the part to be replaced should be derecognised.

Based on the component approach, if a component is replaced, it will be regarded as a capital expenditure. If part or a section of a component is replaced or renewed due to maintenance, such

expenditure shall be regarded as operational. Major capital renewal projects would be material and therefore the component level approach would not be applicable to such projects (refer below).

#### Rehabilitation/Enhancements/Renewals of capital assets

Expenditure to rehabilitate, enhance or renew an existing capital asset (including separately depreciable parts) can be recognised as capital if:

- The expenditure satisfies the recognition criteria;
- That expenditure is enhancing the service potential of that capital asset beyond its original expectation and either that expenditure:
  - increases the useful life of that capital asset (beyond its original useful life);
  - increases the capital asset capacity (beyond its original capacity);
  - increases the performance of the capital asset (beyond the original performance);
  - increases the functionality of that capital asset;
  - reduces the future ownership costs of that capital asset significantly; or
  - increases the size of the asset or changes its shape.

The expenditure to restore the functionality of the capital asset to its original level is a maintenance or refurbishment expense and will not be capitalised to the carrying value of the capital asset. The rehabilitated or renewed separately depreciable part will be derecognised and the replacement will be recognised. Where the separately identifiable asset is rehabilitated or renewed, the amount incurred will be added to the carrying value of the asset.

#### Leased Assets

A lease is an agreement whereby the lesser conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are categorised into finance and operating leases:

- A Finance Lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset, even though the title may or may not eventually be transferred. Where the risks and rewards of ownership of an asset are substantially transferred, the lease is regarded as a finance lease and is recognised as a Capital asset.
- Where there is no substantial transfer of risks and rewards of ownership, the lease is considered an Operating Lease and payments are expensed in the income statement on a systematic basis.

#### Policy

All capital assets shall be correctly recognised as assets and capitalised at the correct value in its significant components. The capitalisation threshold based on a list of items included in Annexure B, but the application thereof will be determined annually by the municipality.

All assets with values less than the capitalisation threshold and with an estimated useful life of more than one year shall be recorded on a Minor Assets Control List ("toolbox items"). The existence of items recorded on such a list shall be physically verified from time to time, and any amendments which are made to such lists pursuant to such asset verifications shall be retained for audit purposes.

The Council shall specify which kinds of leases the municipality may enter into. A lease register shall be maintained with all the information that is necessary for reporting purposes.

#### 4.5. SUBSEQUENT MEASUREMENT OF CAPITAL ASSETS

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##### General

After initial recognition of Property, plant and Equipment, the municipality values its assets using the cost model, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model. When an item of PPE is revalued, the entire class of property to which that asset belongs, should be re-valued. The fair value of the assets will be revised at least annually, with reference to the valuation roll of the municipality.

When an asset's carrying amount is increased as a result of the revaluation, the increase should be credited to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

When an asset's carrying amount is decreased as a result of devaluation, the decrease should be recognised as an expense in the annual financial statements. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### 4.6. RECOGNITION OF INVENTORY ITEMS (NON-CAPITAL ITEMS)

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##### General

Inventories encompass finished goods purchased or produced, or work in progress being produced by the municipality. They also include materials and supplies awaiting use in the production process and goods purchased or produced by the municipality, which are for distribution to other parties for no charge or for a nominal charge. GRAP 12.7 defines Inventories as assets:

- In the form of materials or supplies to be consumed in the production process;
- In the form of materials or supplies to be consumed or distributed in the rendering of services;
- Held for sale or distribution in the ordinary course of operations; or
- In the process of production for sale or distribution.

Examples of Inventories may include the following:

- Ammunition
- Consumable stores;
- Maintenance materials;
- Spare parts for plant and equipment other than those dealt with under PPE;
- Strategic stockpiles (e.g. Water reserves);
- Work in progress; and

- Land / Property held for sale or development (and where plans have been approved/council has resolved).

Cost of inventories shall comprise of all costs of purchase (i.e. purchase price, import duties, other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and supplies), costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Trade discounts, rebates and other similarities are deducted. Taxes recoverable by the entity from the SARS may not be included.

Costs of development for housing or similar developments which are acquired or developed for resale will include costs directly related to the development – e.g. purchase price of land acquired for such developments, surveying, conveyance costs and the provision of certain infrastructure. Infrastructure costs relating to extending the capacity of existing infrastructure are excluded. The costs of inventories of a service provider consisting of direct labour and other costs of personnel directly engaged in providing the service and other attributable overheads are included.

Where inventories are acquired at through a non-exchange transaction, their cost shall be measured at their fair value as at the date of acquisition.

The cost of inventories, shall be assigned by using the or weighted average cost formula.

##### Policy

Assets acquired or owned by the municipality for the purpose of selling or developing such assets with the intention to sell it or utilising the asset in the production process or in the rendering of services shall be accounted for in the municipality's financial statements as inventory items and not as property, plant and equipment.

Inventories are recorded in a dedicated section of the Inventory Register and it is maintained for this purpose. The amount of cost of inventories is recognised and carried forward until related revenues are recognised.

The cost of inventories, shall be assigned by using the or weighted average cost formula.

Inventories are measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge, or for consumption in the production process of goods to be distributed at no charge or for a nominal charge.

In cases where the above does not apply, inventories are measured at lower of cost and net realisable value.

#### 4.7. RECOGNITION AND DERECOGNITION OF LAND (IGRAP 18)

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##### General

IGRAP 18 is applied in the recognition and derecognition of land.

IGRAP 18 is applied to clarify the treatment (whether or not the municipality should recognise or derecognise land) of land where the building is owned by another party including, but not limited to:

- Formal RDP houses
- Informal RDP houses (without council permission)
- Schools, clinics, churches and similar
- Private properties on municipal land

It will also assist in confirming the treatment of the following assets regardless of ownership of the land:

- Infrastructure assets
- Community assets
- Vacant stands registered at the title deeds office
- Vacant stands not registered at the title deeds office

Management assesses at each reporting date if there are any changes in the binding agreement that could impact its assessment of internal control. In assessing whether the rights that have been granted to the municipality in a binding arrangement result in control of the land, it is important to distinguish between substantive rights and protective rights. Only substantive rights are considered in assessing whether the municipality controls land. Substantive rights grant the municipality the ability to make decisions about, and benefit from, certain rights and assets, such as how to use the land to provide services, and when to dispose of the land, to whom and at what price. For the right to be substantive, the holder of the right must have the present ability to exercise that right.

Where the municipality has been granted a right to use land, management needs to consider whether the right should be accounted for in terms of the Standard of GRAP on Leases (GRAP 13)

##### Policy

The control of land is evidenced by the following criteria:

- (a) legal ownership; and/or
- (b) the right to direct access to land, and to restrict or deny the access of others to land.

Substance over form determines that the land is controlled by the municipality that has the right to direct access to land, and to restrict or deny access of others to land. This is usually demonstrated by the following:

- a. it can direct the use of the land's future economic benefits or service potential to provide services to beneficiaries;
- b. it can exchange, dispose of, or transfer the land; and/or
- c. it can use the land in any other way to generate future economic benefits or service potential.

When, after assessment of control per the criteria set out above, the municipality concludes that it controls the land, the land should be recognised as an asset in the statement of financial position and accordance with the relevant Standard of GRAP.

If the municipality concludes that it does not control the land, and is currently recognising the land, it should derecognise it in accordance with the relevant Standard of GRAP.

In assessing the control criteria, any binding arrangements over properties will be considered. Binding agreements can be in written form, a verbal agreement, or the result of past practice.

The loss of control will result in the derecognition of the property, despite legal title, while assets over which the entity does not hold the legal title may be recognized as an asset if control over the property has been established.

## 5. ASSET TYPES

### 5.1. PROPERTY, PLANT AND EQUIPMENT: LAND (GRAP 17)

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#### General

Land comprise any land held (by the owner or by the lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes. Land held for a currently undetermined future use, should not be included in PPE: Land, but should be included in Investment Properties. For this class of Land there is no intention of developing or selling the property in the normal course of business. This land includes infrastructure reserves.

#### Policy

The municipality has selected the cost model as its accounting policy and shall apply this policy to an entire class of property, plant and equipment. After recognition as an asset, Land and Buildings shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses. The remaining useful life and residual value applied to Building assets shall be reviewed on an indication bases as per the guidance of GRAP 17.

Land is not depreciated as it is deemed to have an indefinite useful life. The municipality assesses at each reporting date if there is an indication of impairment.

### 5.2. PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS (GRAP 17)

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#### General

Infrastructure Assets comprise assets used for the delivery of infrastructure-based services. These assets typically include electricity, sanitation, solid waste, storm water, transport, and water assets. Most infrastructure assets form part of a greater facility e.g. a pump in a pump station.

#### Level of detail of componentisation

For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level, in most cases, coincides with the level that means the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very costly when dealing with assets that are numerous in nature e.g. water meters, street signs, streetlights, household connections, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below:

- Level 1: Service level (e.g. Swartland Water Supply)
- Level 2: Network level (e.g. Swartland Pump Stations)
- Level 3: Facility level (e.g. Swartland Pump Station)
- Level 4: Maintenance item level (e.g. Pump 1 in Swartland Pump Station)
- Level 5: Component level (e.g. Bearing of Pump 1 in Swartland Pump Station)

The preferred level of detail for the accounting and technical management of infrastructure is level 4 above.

The compilation of a detailed infrastructure asset register in one financial term is a costly and onerous exercise. To ensure the practicality of implementing asset registers (and asset management planning as a whole), the International Infrastructure Management Manual (IIMM) recommends the adoption of a continuous improvement process as a practical implementation approach. This approach recognises the value of limited data above no data and enables the municipalities to slowly, but steadily, increase their knowledge in the assets they own. The improvement principles of the IIMM recommend starting with complete coverage of the infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high-risk assets, such as pump stations, treatment works, etc.

#### Policy

The infrastructure asset register shall ensure complete representation of all infrastructure asset types. The level of detail of componentisation shall be defined to a level that balances the cost of collecting and maintaining the data with the benefits of minimising the risks of the municipality. Infrastructure assets are valued at cost (or, if acquired through a non-exchange transaction, the cost of the asset at recognition is measured as the fair value of the asset), less accumulated depreciation and accumulated impairment. If cost can however not be established, then infrastructure assets will be initially recognised at depreciated replacement cost. Depreciated replacement cost is an accepted fair value calculation for assets where there is no active and liquid market. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value applied to Infrastructure assets shall be reviewed on an indication base as per the requirements of GRAP 17.

Infrastructure Assets shall be recorded under the main categories listed in *Annexure A*;

### 5.3. PROPERTY, PLANT AND EQUIPMENT: COMMUNITY ASSETS (GRAP 17)

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#### General

*Community Assets* include a variety of assets used to provide services to the community. These assets include building assets such as aquariums, cemeteries, clinics, hospitals, game reserves, museums, parks, etc. Community assets also include recreational assets such as tennis courts, swimming pools, golf courses, outdoor sports facilities, etc.

#### Policy

Community assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. The remaining useful life and residual value applied to Infrastructure assets shall be reviewed on an indication base as per the requirements of GRAP 17.

#### 5.4. PROPERTY, PLANT AND EQUIPMENT: HOUSING ASSETS

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##### General

Housing Assets comprise residential property that does not meet the definition of Investment Property. (I.e. earn rentals or capital gains).

It further includes a specific exclusion in GRAP 16 based on housing that is provided solely to employees due to an operational requirement to be located in a specific area. This includes military and official personnel. The housing should be specifically intended for this purpose and private individuals should not be able to rent or occupy such property. Where the property may be let out to either an employee or a private person, the exclusion is not satisfied, and the classification of Investment Property should be applied.

Houses that have their origin from housing units erected in terms of the Housing Act, funded from loans granted by Government regardless whether it comprise rental stock or selling stock not held for capital gain, it should be measured against the definition criteria of GRAP 16 and the specific exclusions to determine classification.

##### Policy

Housing assets are valued at cost less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives.

Housing Assets shall be recorded under the following main categories;

- Rental Schemes; and
- Selling Schemes.

#### 5.5. PROPERTY, PLANT AND EQUIPMENT: OTHER ASSETS

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##### General

Other assets compromise buildings held (as owner or lessee under a finance lease) by the municipality to be used in the production or supply of goods or for administrative purposes. For this class of buildings there is no intention of developing or selling the property in the normal course of business.

The municipality has chosen the cost model as its accounting policy and shall apply this policy to an entire class of property, plant and equipment.

##### Policy

Other assets are recognised and measured at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Other assets are not re-valued. The remaining useful life and residual value of applied to other assets shall be

reviewed using an indicator-based approach as per the requirements of GRAP 17. Other Assets shall be recorded under the main categories listed in *Annexure A*.

#### 5.6. PROPERTY, PLANT AND EQUIPMENT: MOVABLE ASSETS

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##### General

Movable Assets include machinery and equipment, furniture and office equipment, transport assets and computer equipment.

##### Policy

Movable assets are carried at cost (or, if acquired through a non-exchange transaction, at its fair value) less accumulated depreciation and accumulated impairment losses. Depreciation shall be charged against such assets over their expected useful lives. Movable assets are not re-valued. The remaining useful life and residual value of applied to other assets shall be reviewed on an indication bases as per the guidance of GRAP 17.

Movable Assets (general assets) shall be recorded under the main categories listed in *Annexure A*.

#### 5.7. HERITAGE ASSETS (GRAP 103)

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##### General

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets include the following:

- Archaeological sites;
- Conservation areas;
- Historical buildings or other historical structures (such as war memorials);
- Historical sites (for example a historical battle site or site of a historical settlement);
- Museum exhibits;
- Public statues; and
- Works of art (which will include paintings and sculptures).

##### Policy

Heritage assets are stated at cost (or, if acquired through a non-exchange transaction, the cost of the asset at recognition is measured as the fair value of the asset) less accumulated impairment losses. Heritage assets are not re-valued. If an asset that might be regarded as a heritage asset cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements. **Heritage Assets are tested for impairment annually based on the indicator approach.**

## 5.8. INTANGIBLE ASSETS (GRAP 31)

### General

Intangible Assets can be purchased, or can be internally developed, by the municipality and includes, but are not limited to, computer software, website development cost, servitudes and mining rights.

### Servitudes

#### Creation of servitudes through the exercise of legislation

In terms of legislation, municipalities are granted certain rights regarding the creation of servitudes. For example, in proclaiming townships, a municipality may declare that servitudes are to be registered over certain parts of the land falling within the boundaries of the proclaimed township so that it is able to install infrastructure to provide basic services.

A key feature of servitudes created using rights granted in legislation is that no compensation is paid to the landowner for the acquisition of these rights. Costs may however be incurred to register the servitude with the Deeds Office.

Servitudes granted under these conditions **do not meet** the 'identifiably' criteria above for the following reasons:

- They cannot be sold, transferred, rented or exchanged freely and are not separable from the entity.
- They arise from rights granted to the entity in statute and are specifically excluded from GRAP 31 as they are "internally generated rights".

#### Creation of servitudes through acquisition (including by way of expropriation or agreement)

An entity may need to acquire the rights associated with a specific piece of land, e.g. to span power cables related to an electricity distribution network. When an entity acquires rights associated with land, and registers a servitude, the landowner is usually compensated. Servitudes granted under these conditions are distinguished from those that are created through the exercise of legislation. These servitudes meet the definition of an "identifiable" intangible asset because they arise from contractual or other legal rights that are acquired through a specific arrangement, rather than through rights conferred on an entity in statute. In these instances, an entity would recognise the servitude as an intangible asset at cost. The cost of these servitudes on initial recognition is usually the transaction price, i.e. the compensation paid to the landowner and any other costs that can be capitalised to the cost of the asset in terms of GRAP 31.

### Policy

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Such assets are amortised over the best estimate of the useful life of the intangible asset. If an intangible asset is generated internally by the municipality, then a distinction should be made between research and development costs. Research costs should be expensed and development costs may be capitalised if all the criteria set out in GRAP 31 has been met.

## 5.9. INVESTMENT PROPERTY (GRAP 16)

### General

Investment Property comprise of land or buildings (or parts of buildings) or both, held by the municipality as owner, or as lessee under a finance lease, to earn rental revenues or for capital appreciation or both. Investment property does not include property used in the production or supply of service or for administration. It also does not include property that will be sold in the normal course of business. Typical investment properties include:

- Office parks (which have been developed by the municipality itself or jointly between the municipality and one or more other parties);
- Shopping centres (developed along similar lines);
- Housing developments (developments financed and managed by the municipality itself, with the sole purpose of selling or letting such houses for profit).

### Policy

Investment Properties shall be accounted for in terms of GRAP 16 and shall not be classified as PPE for purposes of preparing the municipality's Statement of Financial Position. Investment Property is recognised at cost. Transaction costs shall be included in this initial measurement. Where an investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

After initial recognition, all investment property shall be measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of buildings is calculated on cost, using the straight-line method over the useful life of the property. The remaining useful life and residual value applied to investment property shall be reviewed based on the indicator approach.

Land will not depreciate as it is deemed to have an indefinite useful life. The municipality assesses at each reporting date if there is an indication of impairment.

Investment assets are recorded in an Investment Property register.

The following classes of Municipal Property **will be classified** as Investment Property:

- a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations which council intends to sell at a beneficial time in the future.
- b) Land held for a currently undetermined future use.
- c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases (market rental does not need to be charged).
- d) A building that is currently vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- e) Property that is being constructed or developed for future use as investment property.

The following classes of Municipal Property will **not be classified** as Investment Property:

- a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale. This property is treated as inventory.
- b) Property being constructed or developed on behalf of the Provincial Government: Housing Department.
- c) Owner-occupied property which is defined as property which is held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes as per definition criteria of GRAP 17 which includes all council buildings used for administration purposes.
- d) Property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) are also regarded to be owner-occupied property.
- e) Property that is leased to another entity under a finance lease.
- f) Property held by council for strategic purposes or to meet service delivery objectives rather than to earn rental or for capital appreciation.
- g) Where council has properties that are used both for administrative and commercial purposes and part of the properties cannot be sold separately these properties will not be classified as investment properties.

#### **5.10. BIOLOGICAL ASSETS (GRAP 27 (to be replaced by GRAP 110))**

##### **General**

Biological Assets are living plants and animals such as trees in a plantation or orchard, cultivated plants, sheep and cattle. Managed agricultural activity such as raising livestock, forestry, annual or perennial cropping, fish farming that are in the process of growing, degenerating, regenerating and/or procreating which are expected to eventually result in agricultural produce. Such agricultural produce is recognised at the point of harvest. Future economic benefits must flow to the municipality from its ownership or control of the asset.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to the market. Where the municipality is unable to measure the fair value of biological assets reliably, a biological asset should be measured at cost less any accumulated depreciation and accumulated impairment losses.

##### **Policy**

Biological assets, such as livestock and crops, shall be valued annually at fair value less estimated point-of-sales costs.

#### **5.11. INVENTORY PROPERTY (GRAP 12)**

##### **General**

Inventory Property comprises any land or buildings owned or acquired by the municipality with the intention of selling such property in the ordinary course of business, or any land or buildings owned or acquired by the municipality with the intention of developing such property for the purpose of selling it in the ordinary course of business.

##### **Policy**

Inventory land and buildings shall be accounted for as inventory, and not included in either PPE or Investment Property in the municipality's asset register or Statement of Financial Position. Inventory property shall be valued annually at reporting date at the lower of carrying value or net realisable value, except where they are held for:

- a) distribution at no charge or for a nominal charge, or
- b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge, then they shall be measured at the lower of cost and current replacement cost.

Inventory properties shall be recorded in the Inventory register.

When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **5.12. MINOR ASSETS (CAPITAL ASSETS BELOW APPROVED THRESHOLD)**

##### **General**

Minor Assets comprise movable assets not capitalised in terms of the threshold policy of the municipality. However, these assets must still be controlled, safeguarded and verified by the municipality. They are not capitalised for the number of assets compared to their value does not warrant the complex procedures applicable to asset management, rendering a manageable asset register by concentrating on what is material and significant to the municipality's operation.

##### **Policy**

Minor assets shall be expensed in the Statement of Financial Performance and not be capitalised. These assets shall not be depreciated or tested for impairment and shall not generate any further



transactions, except in the cases where losses are recovered by means of insurance claims or recoveries from disciplinary actions.

## **6. ASSET ACQUISITION**

### **6.1. ACQUISITION OF ASSETS**

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#### **General**

Acquisition of assets refers to the purchase of assets by buying, building (construction), or leasing. The date of acquisition of assets is deemed to be the time when control passes to the municipality.

#### **Policy**

Should the municipality decide to acquire a capital asset, the following fundamental principles should be carefully considered prior to acquisition of such an asset:

- The purpose for which the asset is required is in keeping with the objectives of the municipality and will provide significant, direct and tangible benefit to it;
- The asset meets the definition of a Capital Asset (as defined in GRAP 16, GRAP 17, GRAP 27, GRAP 31 and GRAP 103)
- The asset has been budgeted for;
- The future annual operations and maintenance needs have been calculated and have been budgeted for in the operations budget;
- The purchase is absolutely necessary as there is no alternative municipal asset that could be economically upgraded or adapted;
- The asset is appropriate to the task or requirement and is cost-effective over the life of the asset.
- The asset is compatible with existing equipment and will not result in unwarranted additional expenditure on other assets or resources;
- Space and other necessary facilities to accommodate the asset are in place; and
- The most suitable and appropriate type, brand, model, etc. has been selected.

### **6.2. CREATION OF NEW INFRASTRUCTURE ASSETS**

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#### **General**

Creation of new infrastructure assets refers to the purchase and/or construction of totally new assets that has not been in the control or ownership of the municipality in the past.

#### **Policy**

The cost of all new infrastructure facilities (not additions to or maintenance of existing infrastructure assets) shall be allocated to the separate assets making up such a facility and values may be used as a basis for splitting up construction costs of new infrastructure into the component parts, each of which have an appropriate useful life.

Work in progress shall be flagged (indicated) as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management. Each part of an item of Infrastructure with a cost that is significant in relation to the total cost of the



item shall be depreciated separately. Work in progress shall also be assessed to identify if there are any indicators for impairment.

### 6.3. SELF-CONSTRUCTED ASSETS

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#### General

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality.

#### Policy

All assets that can be classified as assets and that are constructed by the municipality should be recorded in the asset register and depreciated over its estimated useful life for that category of asset. Work in progress shall be flagged (indicated) as such in the asset register until such time that the facility is completed. Depreciation will commence when the construction of the asset is finalised and the asset is in the condition necessary for it to operate in the manner intended by management.

### 6.4. DONATED ASSETS

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#### General

A donated asset is an item that has been given to the municipality by a third party in government or outside government without paying or actual or implied exchange.

#### Policy

Donated assets shall be recognised at fair value, reflected in the asset register, and depreciated as normal assets. All donated assets shall be approved by the Municipal Manager and ratified by Council as part of acceptance.

## 7. ASSET MAINTENANCE

### 7.1. USEFUL LIFE OF ASSETS

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#### General

Useful Life of assets is defined in “ABBREVIATIONS AND DEFINITIONS” of the Policy and is basically the period or number of production units for which an asset can be used economically by the municipality.

Although National Treasury (NT) guidelines exist that includes directives for useful lives of assets, municipalities must use their own judgement based on operational experience and in consultation with specialists where necessary in determining the useful lives for particular classes of assets. The calculation of useful life is based on a particular level of planned maintenance.

#### Policy

The remaining useful life of assets shall be reviewed using an indicator-based approach as per the guidance of GRAP. Changes emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3. During annual physical verification of movable assets, an assessment of condition and use shall determine the appropriateness of the remaining useful lives, while for infrastructure assets, the useful lives shall be deemed to be appropriate unless an event has occurred or conditions of use have changed, which may have an effect on the remaining useful lives of these assets. Please refer to Annexure A. A memo with regards to a condition assessment and remaining useful life must be circulated on a yearly basis and the memo must be signed by the directors.

### 7.2. RESIDUAL VALUE OF ASSETS

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#### General

The Residual Value of an asset is the estimated amount that the municipality 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.

The residual values of most assets are however considered to be insignificant and therefore immaterial in the calculation of the depreciable amount. The reason is that the majority of assets are hardly ever recovered through sale, but rather through use of the asset until the end of its useful life, after which insignificant amounts, if any, are expected to be obtained, as these assets will most probably be replaced in its entirety.

Assets typically not sold by the municipality are land, buildings, infrastructure and community assets, which assets will have a residual value of zero, allowing the asset to be fully depreciated over its useful life cycle. Residual values will only be applicable to assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor

vehicles. Past experiences of municipal auctions held revealed that furniture, computer equipment and other movable assets does not reach selling prices that are material.

#### Policy

Residual values shall be determined upon initial recognition of assets that are normally disposed of by selling them once the municipality does not have a need for such assets anymore, e.g. motor vehicles. The basis of the residual value estimates shall be determined by the results of past sales of vehicles at auctions when it reaches the end of its useful lives. The residual value of assets shall be reviewed using an indicator-based approach as per the requirements of GRAP. Changes in depreciation charges emanating from such reviews should be accounted for as a change in accounting estimates in terms of GRAP 3.

### 7.3. DEPRECIATION OF ASSETS

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#### General

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation therefore recognises the gradual exhaustion of the asset's service capacity. The depreciable amount is the cost of an asset, or other amount substituted for cost in the financial statements, less its residual value. The depreciation method used must reflect the pattern in which economic benefits or service potential of a Capital Asset is consumed by the municipality. The following are the allowed alternative depreciation methods that can be applied by the municipality:

- a. Straight-line;
- b. Diminishing Balance; and
- c. Sum of the Units.

These methods are all acceptable, but the municipality elected to only apply the straight-line basis so as to apply a consistent approach across all assets. The alternative options are not feasible for all asset types.

#### Policy

All PPE assets except land shall be depreciated over their reasonable useful lives. The residual value and the useful life of an asset shall be reviewed using an indicator-based approach. The depreciation method applied shall be reviewed at each reporting date. Reasonable budgetary provisions shall be made annually for the depreciation of all applicable assets controlled or used by the municipality or expected to be so controlled or used during the ensuing financial year.

Depreciation shall 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. Depreciation of an asset shall begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner intended by management. Depreciation of an asset ceases when the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use and held for disposal unless the asset is fully depreciated. However, under certain methods of depreciation the depreciation charge can be zero while there is no production. In the case of intangible assets being included as assets,

the procedures to be followed in accounting and budgeting for the amortisation of intangible assets shall be identical to those applying to the depreciation of other assets.

The residual value and useful life of an asset shall be reviewed on an annual basis based on the indicator approach defined in the relevant GRAP standards.

Any changes in depreciation methods and depreciation rates shall be accounted for in terms of the requirements of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors as well as the municipal materiality assessment for the year.

### 7.4. IMPAIRMENT LOSSES

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#### General

An impairment is the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. The following serve as examples of impairment indicators:

- During routine physical inspection of the asset there was evidence of physical damage (or obsolescence);
- The asset is not being used, or access to the asset is restricted, due to structural damage.
- The asset is not able to perform at the planned or required level and as a result is not meeting service delivery targets.
- During routine physical inspection of the asset it was identified that the asset deteriorated faster than expected, or was subject to damage, which will result in replacement or significant maintenance earlier than expected.
- Due to technological advances or environmental requirement, the asset may need to be taken out of service.

All assets will be designated at recognition as either non-cash generating or cash generating in accordance with GRAP 21.

Designation is based on the municipality's objective of using the asset at initial recognition (when obtaining/acquiring the asset) for:

- Delivery of service (service assets) or
- Generating commercial return (profit assets)

It is expected that some assets may have a dual-purpose.

A dual-purpose asset is only classified as cash-generating (profit assets) if the purpose to create a profit clearly stands out and the service delivery aspect is incidental. If the purpose is not clear, the assets are presumed to be non-cash-generating (service assets).

The designation may be done on an asset or group of assets, where a group of assets is a unit of assets operating together. In the designation process assets are first designated using a group of assets and any remaining assets are then designated on an individual asset basis. The

designation is applied to individual assets. An asset could comprise a group of assets that are part of a system or network, that is, infrastructure assets.

Examples of a "group of assets":

- Administrative / owner-occupied assets
- Infrastructure – Roads
- Infrastructure – Water
- Infrastructure – Electricity
- Infrastructure – Sewer
- Infrastructure – Waste Management
- Community Assets – Community Hall

For non-cash generating assets GRAP 21 will be applied.

For cash generating assets GRAP 26 will be applied.

The impairment amount is calculated as the difference between the carrying value and the recoverable value.

#### Non-cash generating assets

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. A temporary decline does not have to be accounted for as an impairment, but only if evidence can be provided that the decline is temporary in nature.

#### Cash generating assets

The recoverable value is the higher of the asset's value in use or its fair value less cost to sell.

Value in use of a cash-generating asset is the 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.

Where the recoverable amount is less than the carrying amount, the carrying amount should be reduced to the recoverable service amount by way of an impairment loss. The impairment loss should be recognised as an expense when incurred unless the asset is carried at re-valued amount.

If the asset is carried at a re-valued amount the impairment should be recorded as a decrease in the revaluation reserve. Where immovable property, plant and equipment surveys are conducted, the recoverable service value is determined using the depreciated replacement costs method by assessing the remaining useful life.

#### **Policy**

Assets shall be reviewed annually for all assets with impairment indicators. Impairment of assets shall be recognised as an expense. The reversal of a previous impairment losses recognised as an expense is recognised as a gain rather than income. A memo with regards to the measurement of potential impairment losses must be circulated on a yearly basis and the memo must be signed by the directors.

Any impairment losses shall be recommended to council for approval.

#### **7.5. MAINTENANCE OF ASSETS AND THE ASSET REGISTER**

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##### **General**

Maintenance refers to all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life, but excludes rehabilitation or renewal. This includes all types of maintenance – corrective and preventative maintenance.

For linear infrastructure assets, such as pipes, cables and roads, the following test is applied to differentiate between maintenance and renewal when partial sections of linear assets are renewed:

- If a future renewal of the entire pipe will include the renewal of the partial section that is now renewed, then the renewal of the partial section is treated as maintenance.
- If a future renewal of the entire pipe will retain the partial section that is now renewed, then the renewal of the partial section is treated as renewal and the pipe is split into two separate assets.

Maintenance analysis is an essential function of infrastructure management to ensure cost-effective and sustainable service delivery. In order to analyse maintenance data, maintenance actions undertaken against individual infrastructure assets should be recorded against such assets.

#### **Policy**

Maintenance actions performed on infrastructure assets shall be recorded against the individual assets that are identified in the asset register.

### **7.6. RENEWAL OF ASSETS**

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#### **General**

Asset renewal is restoration of the service potential of the asset. Asset renewal is required to sustain service potential from infrastructure beyond the initial or original life of the asset. If the service provided by the asset is still required at the end of its useful life, the asset must be renewed. However, if the service is no longer required, the asset should not be renewed. Asset renewal projections are generally based on forecast renewal by replacement, refurbishment, rehabilitation or reconstruction of assets to maintain desired service levels.

#### **Policy**

Assets renewal shall be accounted for against the specific asset. The renewal value shall be capitalised against the asset and the expected life of the asset adjusted to reflect the new asset life.

### **7.7. REPLACEMENT OF ASSETS**

---

#### **General**

This paragraph deals with the complete replacement of an asset that has reached the end of its useful life so as to provide a similar or agreed alternative level of service.

#### **Policy**

Assets that are replaced shall be derecognised at their carrying value. The replacement asset shall be accounted for as a separate new asset. Costs incurred to replace the asset shall be split between costs to dispose of the old asset, which shall be expensed as part of the derecognition, and costs to install the new asset, which shall be capitalised against the new asset.

## **8. ASSET DISPOSAL**

### **8.1. TRANSFER OF ASSETS**

---

#### **General**

The processes and rules for the transfer of a capital asset to another municipality, municipal entity or national/provincial organ of state are governed by an MFMA regulation namely "the Local Government: Municipal Asset Transfer Regulations".

Transfer of assets or inventory items refers to the internal transfer of assets within the municipality or from the municipality to another entity. Procedures need to be in place to ensure that the Asset Control Department can keep track of all assets and ensure that the asset register is updated with all changes in asset locations. These procedures must be followed and apply to all transfers of assets from:

- One Department to another Department;
- One location to another within the same department;
- One building to another; and
- One entity to another.

#### **Policy**

The transfer of assets shall be controlled by a transfer process and the asset register shall be updated.

### **8.2. EXCHANGE OF ASSETS**

---

#### **General**

According to GRAP 17 an item of PPE may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless:

- the exchange transaction lacks commercial substance; or
- the fair value of neither the asset received, nor the asset given up is reliably measurable.

If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

#### **Policy**

The cost of assets acquired in exchange for another asset shall be measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up, adjusted by the amount of any cash or cash equivalents transferred.

### 8.3. ALIENATION / DISPOSAL OF ASSETS

---

#### General

Alienation / Disposal is the process of disowning redundant and obsolete assets by transferring ownership or title to another owner, which is external to the municipality, or no owner in the case of destruction of the asset. This includes voluntary and involuntary disposals.

The MFMA (section 14 and 90) and the Municipal Supply Chain Management Regulation no. 27636 have specific requirements regarding the voluntary disposal of capital assets.

Specifically:

- A municipality may not ...” permanently dispose of a capital asset needed to provide the minimum level of basic municipal services”
- Where a municipal council has decided that a specific asset is not needed to provide the minimum level of basic services, a transfer of ownership of an asset must be fair, equitable, transparent, competitive and consistent with the municipality's supply chain management policy.

In addition, the MFMA section 75 (1)(h) requires that the accounting officer of a municipality places on the municipality's website an information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during the previous quarter.

#### Policy

The disposal of an item of property, plant or equipment must be fair, equitable, transparent, competitive and cost effective and comply with a prescribed regulatory framework for municipal supply chain management and the Supply Chain Management Policy of the municipality.

Different disposal methods will be necessary for different types of assets. Before deciding on a particular disposal method, the following shall be considered:

- The nature of the asset
- The potential market value
- Other intrinsic value of the asset
- Its location
- Its volume
- Its trade-in price
- Its ability to support wider Government programmes;
- Environmental considerations
- Market conditions
- The asset's life

Appropriate means of disposal may include:

- Public auction
- Public tender

- Transfer to another institution
- Sale to another institution
- Letting to another institution under finance lease
- Trade-in
- Controlled dumping (for items that have low value or are unhygienic)

Other means of alienation include:

- Donations: Donations may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager for approval.
- Destruction: Assets that are hazardous or need to be destroyed must be identified for tenders or quotations by professional disposal agencies.
- Scrapping: Scrapping of assets that cannot be alienated otherwise may be considered as a method of alienation, but such requests must be motivated to the Municipal Manager.
- The letting of immovable property, excluding municipal housing for officials and political office bearers, must be done at market-related tariffs, unless the relevant treasury approves otherwise. No municipal property may be let free of charge without the prior approval of the relevant treasury.

All involuntary disposals should be reported to the Chief Financial Officer on a regular basis. This report should include the investigation into the reason for the involuntary disposal per asset and advise if any remediation or recovery could be made. The involuntary disposal of assets, together with the supporting investigations should be presented to council to determine if the involuntary disposal was due to negligence, and if so, to instruct recoveries where possible. Where the involuntary was not due to negligence, council shall determine if there is a correcting or mitigating control that may be put in place to ensure future losses are limited.

Once the fixed assets are disposed, the asset shall be removed from the accounting records and the asset register. All gains and losses realised on the disposal of assets shall be accounted for as revenue or expense in the Statement of Financial Performance.

### 8.4. SELLING OF ASSETS

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#### General

Selling of assets refers to the public sale of municipal assets approved for alienation.

#### Policy

All assets earmarked for sale must be sold by public auction or tender and the following steps shall be followed:

- A notice of the intention of the municipality to sell the asset shall be published in a local newspaper;
- The municipality shall appoint an independent appraiser to fix a minimum selling price;
- In the case of a public auction, the municipality shall appoint an independent auctioneer to conduct the auction; and

- In the case of a tender, the prescribed tender procedures of the municipality shall be followed.
- The municipality will obtain council approval for all disposals.

Sold assets shall be derecognised in the asset register once control and all rights and obligations of the asset has been transferred.

## 8.5. WRITING-OFF OF ASSETS

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### General

The write-off of assets is the process to permanently remove the assets from the asset register. Assets can be written-off after approval of the Municipal Manager of a report indicating that:

- The useful life of the asset has expired;
- The asset has been destroyed;
- The asset is out-dated;
- The asset has no further useful life;
- The asset does not exist anymore;
- The entity has lost control of the asset
- The asset has been sold; and
- Acceptable reasons have been furnished leading to the circumstances set out above.

All involuntary disposals should be reported to the Chief Financial Officer on a regular basis. This report should include the investigation into the reason for the involuntary disposal per asset and advise if any remediation or recovery could be made. The involuntary disposal of assets, together with the supporting investigations should be presented to council to determine if the involuntary disposal was due to negligence, and if so, to instruct recoveries where possible. Where the involuntary was not due to negligence, council shall determine if there is a correcting or mitigating control that may be put in place to ensure future losses are limited.

### Policy

All assets identified for write-off shall be presented to council by the responsible manager detailing reasons for writing off assets, other than the sale of such assets during the process of alienation, shall be the loss, theft, destruction or decommissioning of the asset in question.

## 9. PHYSICAL CONTROL (MOVABLE ASSETS)

### 9.1. PHYSICAL CONTROL / VERIFICATION

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#### General

Movable assets require physical control and verification of existence.

Assets that cannot be physically verified may indicate loss of control of the asset and as such, should be treated in line with paragraph 8.5 of this policy for the disposal of assets.

#### Policy

All movable assets shall be actively controlled, including an annual verification process. Annual physical inspections of assets shall be performed to identify items which are missing, damaged, not in use or are obsolete due to changed circumstances, to ensure that they are appropriately repaired, impaired, written off or disposed of.

Registers shall be kept for those assets allocated to staff members. The individuals are responsible and accountable for the assets under their control. These registers should be updated when the assets are moved to different locations or allocated to a different staff member in order to facilitate control and physical verification.

### 9.2. INSURANCE OF ASSETS

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#### General

Insurance provides selected coverage for the accidental loss of the asset value. Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury.

#### Policy

Assets that are material in value and substance shall be insured at least against destruction, fire and theft. All municipal buildings shall be insured at least against fire and allied perils.

### 9.3. SAFEKEEPING OF ASSETS

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#### General

Asset safekeeping is the protection of assets from damage, theft, and safety risks.

#### Policy

Directives for the safekeeping of assets shall be developed and the safekeeping of assets shall be actively undertaken.

## 10. ASSET FINANCIAL CONTROL

### 10.1. CAPITAL REPLACEMENT RESERVE (CRR)

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#### General

The CRR is a reserve account to set aside funds for the financing of property, plant and equipment. The CRR is therefore an asset financing source that represents an alternative to the other funding sources available to the municipality, namely external loans (interest bearing borrowings) and government grants and subsidies. The value of this reserve is not represented by any values of assets under the municipality's control and shall preferably be cash-backed.

#### Policy

It is the policy of Council to annually make contributions to the CRR to ensure that the CRR remains a capital funding source for the future. The municipality will determine its future capital financing requirements and transfer sufficient cash to its CRR in terms of this determination. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR. Whenever an asset is sold by the municipality, the proceeds on the sale of the assets must be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets. All proceeds on the sale of land will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets. Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased, is transferred from the CRR into accumulated surplus on the Statement of Changes in Net Assets.

### 10.2. NON-DISTRIBUTABLE RESERVES

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#### (PUBLIC CONTRIBUTIONS AND DONATIONS RESERVE AND CAPITALISATION RESERVE)

#### General

The Public Contributions and Donations Reserve and the Capitalisation Reserves are reserve accounts dedicated towards funding the future depreciation of assets. The value of these reserves is equal to the carrying values of all depreciable assets under the municipality's control that was funded from Public Contributions / Donations or Internal Advances.

An amount equal to the monthly depreciation expenses and impairment losses recognised is transferred from the non-distributable reserve to the municipality's appropriation account (retained income) on a monthly basis.

For all new assets capitalised which are funded from Public Contributions / Donations, an amount equal to the capitalisation amount is appropriated to the Public Contributions and Donations Reserve from the Appropriation Account.

Since Internal Advances are not allowed anymore, no assets will be acquired from this source with the result that the Capitalisation Reserve will become totally depleted once the assets funded Internal Advances under IMFO standards, are fully depreciated.

#### Policy

The CFO shall ensure that the asset financing non-distributable reserves are created equal in value to the carrying value of all assets under the municipality's control funded from public contributions / donations and internal advances. The CFO shall thereafter ensure that in the case of depreciable assets, an amount equal to the monthly depreciation expenses and impairment losses recognised of the assets concerned is transferred each month from such non-distributable reserve to the municipality's appropriation account. For acquisitions of depreciable assets funded from public contributions / donations, an amount equal to the capitalisation amount is appropriated to the reserve from the municipality's appropriation account.

### 10.3. BORROWING COSTS (GRAP 5)

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#### General

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of premiums or discounts associated with such borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance charges in respect of finance leases and foreign exchange differences arising from foreign currency borrowings when these are regarded as an adjustment to interest costs.

#### Policy

Borrowing cost shall be recognised as an expense in the period in which they are incurred.

### 10.4. FUNDING SOURCES

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#### General

The Municipal Finance Management Act (MFMA) provides guidelines on how to utilize funds in financing assets (Section 19 of MFMA). The municipality shall utilise any of the following sources to acquire and / or purchase assets:

- Grants, Subsidies and Public Contributions;
- Revenue Contributions;
- Capital Replacement Reserve;
- Cash Surplus; and / or
- External / Donor Funds.

#### Policy

The annual capital budget must be funded and the sources of finance must be disclosed as part of the Council's budget.

## 10.5. DISASTER

### General

In terms of the Disaster Management Act, 2002, Disaster means a progressive or sudden, widespread or localised, natural or human – caused occurrence which causes or threatens to cause:

- death, injury or disease;
- damage to property, infrastructure or the environment; or
- disruption of life of community; and
- is of a magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their own resources.

In terms Section 56 (b) of the Disaster Management Act, 2002 the cost of repairing or replacing public sector infrastructure should be borne by the organ of state responsible for the maintenance of such infrastructure. The National, Provincial and Local organs of state may contribute financially to response efforts and post – disaster recovery and rehabilitation.

### Policy

The Municipality will correspond with the Provincial organs to gain funds for repairing assets damaged in disaster events. The municipality must adhere to the disaster management plan for prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster.

## ANNEXURE A: ASSET CATEGORY AND USEFUL LIFE

Community assets	Buildings	Buildings	20 – 50 years
Community assets	Buildings	Fixtures	10 – 20 years
Community assets	Sport fields	Asphalt, astro and drainage systems	40 – 50 years
Community assets	Sport fields	Grass and turf	Expensed
Community assets	Other assets	Christmas lights	5 – 10 years
Heritage assets	Heritage assets	Historical Buildings	Not depreciated
Heritage assets	Heritage assets	Paintings and Works of Art	Not depreciated
Heritage assets	Heritage assets	Monuments	Not depreciated
Infrastructure	Civil structures	Civil structures	10 – 50 years
Infrastructure	Electricity	Distribution and cables	20 – 50 years
Infrastructure	Electricity	Equipment	10 – 50 years
Infrastructure	Electricity	Public lighting	20 – 50 years
Infrastructure	Mechanical equipment	Mechanical equipment	10 – 20 years
Infrastructure	Other	External facilities	7 – 30 years
Infrastructure	Roads	Bridges	20 – 100 years
Infrastructure	Roads	Road furniture	8 – 80 years
Infrastructure	Roads	Structure	10 – 50 years
Infrastructure	Roads	Traffic management	10 – 20 years
Infrastructure	Sewerage	Pipelines	40 – 60 years
Infrastructure	Sewerage	Pump stations	10 – 55 years
Infrastructure	Sewerage	Ponds	20 – 100 years
Infrastructure	Solid waste	Bins and disposal	10 – 20 years



Infrastructure	Sports- and playgrounds	Sports- and playgrounds	10 – 40 years
Infrastructure	Stormwater	Drainage constructed	20 – 70 years
Infrastructure	Stormwater	Drainage unlined	10 – 15 years
Infrastructure	Water	Dams and reservoirs	50 – 80 years
Infrastructure	Water	Equipment	15 – 30 years
Infrastructure	Water	Pipes and grids	50 – 100 years
Infrastructure	Water	Reticulation and mains	15 – 30 years
Intangible assets	Intangible assets	Computer software	Specific to software  Lower of length of the license, and the ability of the current hardware to accommodate the relevant software
Intangible assets	Intangible assets	Websites	5 – 10 years
Intangible assets	Intangible assets	Rights	Not depreciated
Intangible assets	Intangible assets	Systems (annual license)	Not capitalised
Investment property	Investment property: Land	Investment property: Undeveloped	Not depreciated
Investment property	Investment property: Land	Investment property: Developed	Not depreciated
Investment property	Investment property: Buildings	Investment property: Developed	20 – 30 years
Land	Land	Land	Not depreciated
Land	Quarry	Quarry	Per expert report
Movable assets	Computer equipment	Computer equipment	3 – 10 years

Movable assets	Furniture and office equipment	Furniture and office equipment	5 – 10 years
Movable assets	Furniture and office equipment	Audio equipment and music instruments	15 – 20 years
Movable assets	Machinery and equipment	Bulk containers	30 years
Movable assets	Machinery and equipment	Machinery and equipment	3 – 10 years
Movable assets	Transport assets	Motorcycles and bicycles	10 years
Movable assets	Transport assets	Commercial and passenger vehicles	–10-12 years
Movable assets	Transport assets	Industrial vehicles ( Heavy, Tractors, earthmoving equipment and Refuse Compactors)	9-12 years
Movable assets	Transport assets	Busses and fire engines	15 - 20 years
Other assets	Buildings	Buildings	5 – 50 years
Other assets	Buildings	Fencing and perimeters	10 – 20 years

## ANNEXURE B: CAPITALISATION THRESHOLD

### Introduction

The municipality reviewed the Asset Management Policy and has determined that the capitalisation threshold needed to be revised in order to ensure compliance with the GRAP requirements and to align the budgeting process with the requirements of GRAP. Based on the revision of the capitalisation threshold it was decided that the most suitable approach would be to identify assets for which their value or use does not justify the cost to maintain the assets in the register.

The GRAP discussion paper on materiality states the following: "Information in the financial statements is therefore relevant when it meets these information needs. The relevance of information is affected by its nature and materiality." This implies that certain information would not be relevant to the users of financial statement due to its value or nature. Furthermore, the discussion paper also states: "Materiality establishes a threshold, which may include a cut-off point, or criteria which are used in making certain decisions. Materiality in itself is not a characteristic that information must have to be useful to users. "The municipality followed a qualitative materiality approach rather than a purely quantitative approach in order to identify items that are considered not material.

Management of assets within an asset register is a costly exercise and certain assets economic benefits have been noted to be exceeded by the annual cost to maintain these assets within the register. Furthermore, many movables do constitute future economic benefits or service potential, but rather comfort staff performing their duties. For such items, the cost to conduct annual impairment or change in useful life testing would already be more than the expected benefit for the public from holding the assets. This does not imply that the expenditure is fruitless, it merely implies that economic benefits are consumed immediately after the item is taken into use. For this reason, the municipality has taken an approach to identify assets that fall within this category where the management cost of the assets exceeds their economic benefits or service potential.

Three different types of assets were identified that require amendment in the approach due to the revised capitalisation approach. Items with useful lives of less than 12 months must be expensed immediately.

### 1) Items that are consumed within 12 months (Items not barcoded)

#### Characteristics of asset type

Many purchased goods are expected to be consumed within 1 year, but due to the usage of the asset, the lifespan might be prolonged. In example, a stapler is not really expected to last more than a year as wear and tear on the items are quite excessive. However, certain staff members have indicated that their staplers could last several years. The fact that a single item lasts longer than a year does not negate from the expectation that the item would be consumed within 1 year.

OR

Another consideration in this category is the replacement or purchase rate. If the item is expected to be purchased multiple times in a single year, the item is not considered to be an item that would last for longer than 1 year. In example, despite the fact that spanners could be durable, they are often purchased throughout the year with new spanners being purchased at a regular interval. Due to the regular repurchase rate, the item is not considered to last for longer than a year despite its durable nature.

OR

The final consideration for items that fall within this category, is the control over the ability to transfer assets. Some assets are of such a minute significance to a department, that when assets are transferred between users, formal asset transfer documentation would not be maintained. Example, if employee 1 is willing to borrow his wrench to employee 2 without asking for written confirmation of the transfer of the wrench since the inherent value of the item does not justify any audit trail of the transfer.

OR

The item is a plastic or wood stackable table used at a community hall.

For control purposes, these items are not barcoded and will be purchased through an expense account.

The approved listing of items that forms part of this category is listed in annexure 1.

#### For ease of reference, examples of items that fall within this category:

- All stationery items excluding heavy duty versions thereof (any item titled machine, would not fall within this category e.g. Binding Machine, Laminating Machine) including calculators and other small items
- Any boxes, and containers designed to retain stationary (such as buddi drawers, pen holders, paper racks)
- All bins and disposal containers
- Any camp site bedroom furniture such as beds and bedding
- Small appliances such as kettles, toasters, fans with a warrantee of 1 year

- Any computer accessories such as keyboards, mouse, laptop bags, dongles (UPS's and external hard drives are excluded from this)
- Fire extinguishers as their service interval requires exchanging of these items several times a year
- Hand tools that are normally transported in bulk (i.e. small tools that would be transported with other tools in toolboxes)
- Cleaning items such as buckets, mops, brooms etc. (excluding machines used to clean items such as dish washers and vacuum cleaners)
- Safety equipment that are frequently replaced, similar to helmets, goggles, gloves etc.
- Crockery, cutlery and other kitchen utensils

### Decision Tree



All items not falling in the above categories, would be considered assets and would be included in the asset register.

### Materiality

The full cost price of all asset additions that would not be included in the AFS as at 30 June 2020 was extracted and compared to materiality. The accumulative cost of all these assets listed in annexure 1 amounted to less 2% of materiality and thus accepted as reasonable. Materiality was based on the 2020 operating expenditure as utilised by the auditors during the audit of 2019/20.

### Annexure B1: Items consumed within 12 months

The following list of items is approved to only be purchased via the operational vote for expenditure and these items will not be barcoded:

Description	Description
3G or similar Internet Dongles	Laptop bags
Back Support	Loose standing power supply
Battery	Mat, Carpet or Floor protectors (beneath chairs)
Beds at campsites	Mops and Mop buckets
Binder	Post Boxes and similar document storage solutions
Buddy-systems	Pots and pans
Calculator	Punch
External Harddrives	Small kitchen Appliances, Scales, Kettles, Mixer bowls
Fans	Stamps
Fire Extinguisher	Stapler
First Aid Kit	Tape Measure
Floor Polisher	Towel, paper, aerosol dispensers
Foot rests	Trolleys
Guillotine	Vacuum cleaners
Hat and Coat Stand	Visitors' Chair
Heaters	Wall Clocks
Kitchen utensils	Water dispensers
Ladder	Wheelbarrow

## ANNEXURE C: ASSET UNBUNDLING METHODOLOGY

### Section 1: Background

The objective of this document is to recommend a standardised approach to unbundling for Swartland Municipality going forward, together with required backup documentation demonstrating adherence to best practise, guidelines, legislation and applicable standards.

The unbundling of assets refers to the component approach of recognising assets. The component approach is a GRAP-supported approach where complex assets can be split into significant parts for recording. Once an item is identified as a separately depreciable part it can be treated as a separate capital asset for depreciation, recognition and derecognition purposes. In the asset register a component is linked to a main asset.

### Section 2: Standards and guidelines

The following standards and guidelines have been considered in developing the asset unbundling methodology:

- Accounting Standards Board's (ASB) Generally Recognised Accounting Practice (GRAP)
- National Treasury's Guide on Local Government Capital Asset Management
- Swartland Local Municipality Asset Management Policy
- The Department of Provincial and Local Government's guidelines for infrastructure asset management as published by COGTA

### SECTION 3: Methodology

The component approach is a GRAP-supported approach where complex assets are split into separate depreciable parts for recording. The key considerations in determining what should become a separately depreciable part (component) are:

- Significant cost in relation to the asset as a whole;
- The risk or significance of the component in relation to the usefulness of the asset as a whole;
- Considerable difference in useful life; and
- Components that are separately maintained or replaced.

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

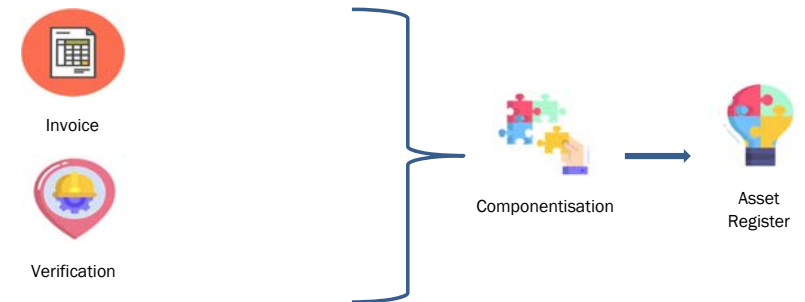
The components should satisfy the needs of all stakeholders, without a cost that outweighs the benefit, these include but are not limited to:

- Technical managers
- Asset managers
- Finance function
- Auditors
- Engineers

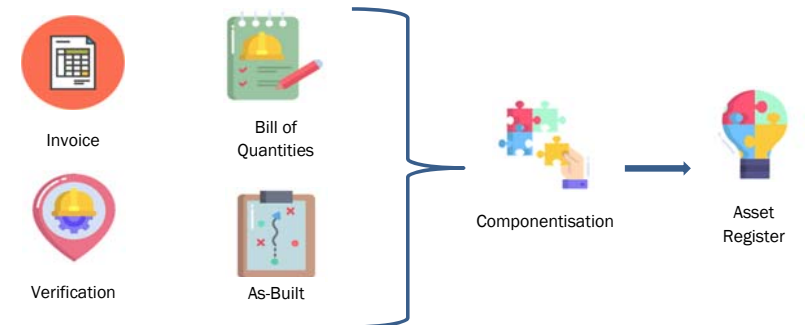
### 3.1 Project to asset

After the needed budget has been secured to source an asset the appropriate Supply Chain Channels are followed to procure the asset.

#### Purchased Assets



#### Constructed Assets



### 3.1.1 Invoice

The invoice holds the most important information related to the costing of the asset. All invoices are agreed to the general ledger to ensure all costs were recognised. The invoice will further be scrutinised to ensure it agrees to the asset, while the engineer will identify any elements that may assist in the unbundling process.

In the asset register, a component is linked to a main asset, and the value of the main asset is used to determine the value of the components. This implies that the total of the invoices should equal the total value of the components.

Invoice	Amount	Project	Component	Component Value
1	100	1300	A	200
2	500		B	250
3	300		C	423
4	400		D	155
			E	272
Total	1300	1300		1300

All costs associated with infrastructure projects like Professional fees, Preliminary and General, Commissioning fees etc. were included in the total cost of the turnkey projects and apportioned to the individual components based on their contribution to the overall project cost.

Invoices are however limited on detail required to determine if the main assets consists of components that are significant when compared to the asset as a whole and if that component will depreciate at a considerably different rate.

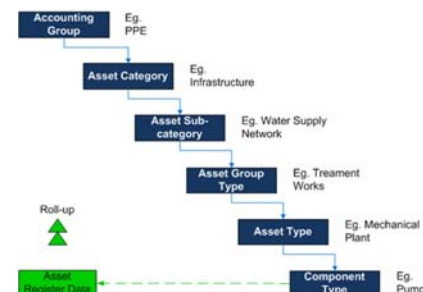
### 3.1.2 Verification

The verification of assets forms an integral part of the unbundling process.

During the verification process the field worker will:

- Identify components based on the asset hierarchy
- Collect specifications required by engineer to confirm separate components and different depreciation rate
- Confirm specific information as required by engineer

### Asset Hierarchy



### Above Ground Assets

Step 1: Preload all relevant datasets in the system:

- Available GIS data of facilities & roads. This allows the field worker to associate / link assets to road segments, crossings or facilities e.g. pump station. Each asset is therefore associated to a map feature which allows for location tracking.
- Asset hierarchy in order for the field worker comply to the unbundling and asset hierarchy guidelines in the asset management policy

Step 2: Field verification on mobile application:

- Identify different components
- Record asset details e.g. dimensions, make, model, material, serial number etc.
- Take a photo

Step 3: Quality assurance:

- The output from the software is an Excel worksheet which includes a web hyperlink to the photo as well as a GIS database to indicate location. The Engineers and Managers use this data on a day-to-day basis to perform quality checks in order to ensure data integrity. When the quality process is completed, the data is used in the componentisation process.
- The Manager or Engineer may also send the verifier back to the site to obtain additional information or verify missing components (if this is identified or required).

Underground Assets

Below ground assets includes:

- Water pipes
- Sewer pipes
- Storm water pipes
- Electricity cables

As the verification of below ground assets cannot be performed through physical inspection it is done using the As-Built drawings. This may include linking GPS co-ordinates to existing infrastructure to ensure accuracy, I.e. Additions to the sewer pipes are expected to originate in an area with developed stands and deploy into a sewage treatment plant.

3.1.3 Bill of quantities

A bill of quantities, or bill of material, is a document used in tendering in the construction industry in which materials, parts, and labor (and their costs) are itemized. It also (ideally) details the terms and conditions of the construction or repair contract and itemizes all work to enable a contractor to price the work for which he or she is bidding. The quantities may be measured in number, area, volume, weight or time.

Although the bill of quantities may detail all the parts of a constructed asset it is limited in the unbundling process as:

- It is not detailed on a component level
- It is used in the tendering phase and actuals might not be reflected.

3.1.4 As-Built

As-built drawings are prepared by the contractor who installed the infrastructure and shows the final construction/layout of pipes. As seen in the example below, the As-built drawing clearly indicates the layout of the water reticulation system as installed by the contractor.



The legend provides detail on the material and diameter used.



When the as-built drawings are georeferenced using Ducharme’s GIS application with the Surveyor General of South Africa digital cadastral data as the reference data, the engineer is able to confirm the extent of the asset. Georeferencing is the process of aligning the As-built drawing to that of a map coordinate system. This allows the user to view the data, query and analyse the data spatially.

### 3.1.5 Componentisation

#### Unbundling

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. (GRAP 17.48)

An entity allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. For example, in most cases, it would be required to depreciate separately the pavements, formation, curbs and channels, footpaths, bridges and lighting within a road system. (GRAP17.49)

National Treasury states in its guidance to capital asset management that the decision on what is to be treated as a separately depreciable part will depend on a municipality's judgement in terms of materiality and management or operational practices.

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

For the technical management of infrastructure, the most effective level of management is at the maintenance item level. It is at this level that work orders can be executed and data collected. This data is useful for maintenance analysis to improve infrastructure management decision making. This level, in most cases, coincides with the level that means the accounting criteria of different effective lives and materiality. However, the collection of data at this level of detail can be very costly when dealing with assets that are numerous in nature e.g. water meters, street signs, streetlights, household connections, etc. It is therefore prudent to balance the value of the information with the cost of collecting the data. The different levels of detail are shown below:

- Level 1: Service level (e.g. Swartland Water Supply)
- Level 2: Network level (e.g. Swartland Pump Stations)
- Level 3: Facility level (e.g. Swartland Pump Station)
- Level 4: Maintenance item level (e.g. Pump 1 in Swartland Pump Station)
- Level 5: Component level (e.g. Bearing of Pump 1 in Swartland Pump Station)

The preferred level of detail for the accounting and technical management of infrastructure is level 4 above. Similarly, a length of road would be split into sections that are expected to be maintained or refurbished together. For accounting purposes, the most appropriate level of unbundling would be the level where components of an asset can be recognised, replaced and derecognised without affecting the rest of the asset. As these changes are expected to happen on the maintenance level it is also the most appropriate level for accounting.

Refer to Section 7 for details on typical asset components.

### Costing

The cost accountant uses the following information to determine the cost that should be associated to each component:

- The components as identified by the engineer
- The total cost as confirmed through the invoices
- The current replacement cost (CRC) of the separate components for cost allocation

Invoice	Amount	Project	Component	CRC	Apportion	Component Value
1	100	1300	A	191	15%	200
2	500		B	238	19%	250
3	300		C	403	33%	423
4	400		D	148	12%	155
			E	259	21%	272
Total	1300	1300		1240	79%	1300

The above approach ensures all costs are included and that the value of the total components does not exceed the original costs incurred.

The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. GRAP 21 states the depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. While GRAP 12 defines current replacement cost as the cost the entity would incur to acquire the asset on the reporting date. Current replacement cost would this be a depreciated replacement cost where there is no depreciation effect.

The term current replacement cost or replacement value refers to the amount that an entity would have to pay to replace an asset at the present time, according to its current worth.

### 3.1.5 Asset register

The final step is to update the asset register with the different components comprising the total project.

Each component would be added to the asset register with its own component ID, value, useful life and other characteristics, which allows the separate components to be accounted for, depreciated and managed separately.

### 3.1.6 Level of unbundling

GRAP 17.50 states that a significant part of an item of property, plant and equipment may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge. Paragraph 51 further states that all remaining items (that were not significant) may be depreciated separately. This implies that the level of unbundling is only required up to the point where the components have separate estimated useful lives.

The compilation of a detailed infrastructure asset register in one financial term is a costly and onerous exercise. To ensure the practicality of implementing asset registers (and asset management planning as a whole), the International Infrastructure Management Manual (IIMM) recommends the adoption of a continuous improvement process as a practical implementation approach. This approach recognises the value of limited data above no data and enables the municipalities to slowly, but steadily, increase their knowledge in the assets they own. The improvement principles of the IIMM recommend starting with complete coverage of the infrastructure types at a low level of detail (e.g. level 2 or 3) and then improving the level of detail over a period of several years, starting with the high risk assets, such as pump stations, treatment works, etc.

#### Element vs Component Cost

The total cost of an asset includes various component costs and may include but are not limited to:

- Raw materials
- Personnel costs
- Production costs
- Preliminary and General costs (P&G's)
- Engineering and design fees
- Locations factor

In practice this implies that a window, an installed window, and window as part of a building project would all have different costs. It would thus not be appropriate to unbundle the asset to an element/part level without taking the component cost into account.

### Section 4: Scope

Asset Class	Unbundled	Notes
Land	No	Land is not depreciated, but each land parcel is treated as an individual asset.
Movable Assets	Excluded	Excluded
Infrastructure	Yes	An infrastructure network should be broken down into "separately depreciable parts", e.g. segment of road seal, length of pipe, or civil component of a pumping station.
Community Assets	Yes	Freestanding buildings should be treated as an individual asset. A complex comprising a number of buildings may need to be split according to the individual buildings.  In additional features like parking areas and external perimeters will be recognised separately.
Other Assets	Yes	Other Assets like buildings should be treated as individual assets.
Investment Property	Yes	Investment property like buildings should be treated as individual assets.
Intangible Assets	Excluded	Excluded
Heritage Assets	No	Heritage assets are not depreciated



## **SECTION 5: FREQUENTLY ASKED QUESTIONS**

### **5.1 How do I identify the components of each facility?**

In the asset register each component is linked to a main asset. This is identified with a pre-fix in the description field.

### **5.2 When is a component considered significant?**

If the value of a part of the asset is significant (i.e. material) compared to the value of the asset as a whole and/or has a useful life that is considerably different to the useful life of the asset as a whole, it should be recognised as a separately depreciable part (component).

### **5.3 Why is the level of bundling considered appropriate? Why is further unbundling not required?**

Section 4.1.5 provides details on the level of unbundling.

The level of unbundling is a fine act of determining an appropriate level of unbundling where the cost of data management does not exceed the benefit to the stakeholders.

For accounting purposes, the maintenance level (current level of unbundling) satisfies both the requirement to separately depreciate items with significant costs and a significantly different useful life.

### **5.4 How should subsequent expenditure be treated for unbundling purposes?**

Subsequent expenditure is capitalised when it increases the capacity or future economic benefit of the asset. This principal does not change when the asset has been unbundled.

A component with a shorter estimated useful life is expected to be replaced during the life cycle of the main asset. When this component is replaced, it is derecognised, and the new component is recognised. This is a perfect example of the appropriateness of unbundling up to the maintenance level.

Where expenditure that may be capitalised is incurred over more than one component, that cost must be allocated to the different components, where such information is not available the expense should be apportioned over the different components.

## **SECTION 7: Typical components**

**A vast number of components have been identified. The full list can be obtained from the asset management department. Annually, during the budgeting process of each year the various user departments will agree to the list.**



# SWARTLAND MUNICIPALITY

## FLEET MANAGEMENT POLICY

**Reviewed and Amended  
MARCH 2021**

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### 1. DEFINITIONS

In this policy, unless the context otherwise indicates:–

“**Council**” means the municipal council of Swartland Municipality;

“**driver**” means all employees engaged in the operation of vehicles and plant, being:

(a) **occasional driver**: a person who is not a permanent driver but is required to use a municipal vehicle on and *ad hoc* basis to perform his/her duties;

(b) **professional driver**: a person employed specifically to drive municipal vehicles for general transport purposes.

(b) **operator**: a person employed specifically to operate civil engineering plant;

“**employee**” means all permanent, part-time or contract employees who are in the employment of the municipality;

“**municipality**” means the Municipality of Swartland established in terms of Section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, councillor, duly authorised agent or any employee acting in connection with this policy by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councillor, agent or employee;

“**municipal manager**” means the person appointed as municipal manager for the municipality in terms of section 54A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), or his or her delegate;

“**municipal vehicle**” means all vehicles, engineering plant, equipment, motorcycles, trailers, etc. utilised for municipal purposes;

“**Head of Departments**” means any director, manager/division head of the relevant user department responsible for, amongst other duties, is responsible for the management of vehicles, plant and equipment allocated to his or her department and a department for purposes of this policy is used interchangeably to also mean a section.

## 2. POLICY OBJECTIVES

Swartland Municipality maintains an extensive range of plant, equipment and vehicles to assist in providing a high level of service to the community.

- 2.1 This policy aims to provide rules to ensure the proper management of these assets, which will be referred to as the municipal fleet in this document.
- 2.2 This policy aims to ensure the management of municipality's plant, equipment and vehicles, and will develop strategies to:
  - (a) provide optimally effective and reliable plant, equipment and vehicles to deliver services for current and future needs at the lowest cost;
  - (b) optimise the procurement of all plant, equipment and vehicles to ensure best value for and most appropriate for the municipality's operating needs.
  - (c) manage the fleet assets to ensure the asset value is maintained and applicable vehicles are roadworthy; and
  - (d) maintain a modern, efficient, reliable and safe fleet of plant, equipment and fleet of vehicles at the lowest possible cost without compromising service levels.
- 2.3 The policy will be accompanied by a detailed Fleet User Guide for the Management of Vehicles, Plant and Equipment (set out in Schedule 1) to be used by all municipal employees responsible for the daily management of plant, equipment and vehicles.

## 3. REGULATORY FRAMEWORK

This policy should be read in conjunction with the following legislation and policies:

- (a) The Municipal Finance Management Act, 2003, (Act 56 of 2003);
- (b) The Occupational Health and Safety Act, 1993, (Act 85 of 1993);
- (c) The National Road Traffic Act, 1996, (Act 93 of 1996);
- (d) Swartland Municipality's Supply Chain Management Policy;
- (e) Swartland Municipality's Asset Management Policy;
- (f) The GRAP 17 Standards;

## 4. ROLES AND RESPONSIBILITIES

- 4.1 The Directors of the various directorates shall take overall responsibility for all matters relating to the management, provision and maintenance of municipal vehicles.
- 4.2 The Managers/Heads/Supervisors of all departments who use the vehicles shall be responsible for the proper use and control of fleet assets allocated to their Directorates.

- 4.3 The Head: Asset & Fleet Management's responsibility is limited to:

- (a) the registration and licensing of all municipal vehicles; and
- (b) the management and use of pool vehicles; and
- (c) administrative support function.

- 4.4 The Chief Financial Officer shall be responsible for the completeness and accuracy of the Asset Register and to ensure that all municipal vehicles are recorded in the register and to perform economic life assessments in respect of all municipal vehicles on an annual basis.

- 4.4 The detailed duties and responsibilities of all municipal employees/officials using municipal vehicles and plant are documented in the Fleet User Guide.

## 5. PURCHASE & DISPOSAL

### 5.1 Purchase of vehicles

- 5.1.1 The relevant Director or delegate supported by the various SCM bid committees shall be responsible for the specification, documentation and evaluation of tender for the provision of new vehicles and equipment.
- 5.1.2 The relevant Divisional Head shall prepare tender documentation for the purchase of vehicles based upon the confirmed needs and approved budgets.
- 5.1.3 All records pertaining to the transfer of fleet items between the various departments and the acceptance of vehicles allocated must be forwarded timeously to the Head: Asset and Fleet Management.
- 5.1.4 All Bakkies, Combi's and Passenger vehicles must be bought with a service plan of at least 3 years and a minimum of 60 000km.

### 5.2 Disposal and economic life assessment

- 5.2.1 The Head: Asset and Fleet Management must follow the normal Supply Chain Management procedure for the disposal of vehicles.
- 5.2.2 Economic life assessment should be performed in order to determine the economic service life expectancy of vehicles and plant under their specific operating conditions.
- 5.2.3 In terms of GRAP, vehicle and plant assets are required to be depreciated over their respective useful life as determined by Management from time to time. The Chief Financial Officer must ensure that vehicle and plant assets are depreciated annually and have their appropriate values entered in the asset register.
- 5.2.4 Vehicles must be evaluated for disposal in terms of the Asset Management policy when they have reached their economic useful life or due to uneconomical running and maintenance costs; and

- 5.2.5 Vehicles must be disposed of in terms of the replacement criteria table set out below of which the latter shall be evaluated on a case by case basis or motivated if not according to the criteria table and approved by Chief Financial Officer:

**Replacement Criterion Table**

VEHICLE GROUP	CRITERIA	REPLACEMENT
1. Motor Cycles	1. Age 2. Km 3. Mech. evaluation*	10 years and/or 80 000km >60%
2. LDV and Cars (Capacity <1 ton) (Light Duty)	1. Age 2. Km 3. Mech. evaluation	> 10 years and/or 185 000km >60%
3. LDV (1 ton) (Heavy Duty)	1. Age 2. Km 3. Mech. evaluation	> -10 years and/or 185 000km > 60%
4. Medium vehicles (Capacity 3 - 5 ton)	1. Age 2. Km 3. Mech. evaluation	>10 years and/or 275 000km > 60%
5. Heavy vehicles (Capacity 6 - 9 ton)	1. Age 2. Km 3. Mech. evaluation	>12 years and/or 300 000km > 60%
6. Extra heavy vehicles (Capacity 10 ton +)	1. Age 2. Km 3. Mech. evaluation	>12 years and/or > 375 000km > 60%
7. Tractors	1. Age 2. Hrs 3. Mech. evaluation	>12 years and/or 15 000hrs > 60%
8. Earth moving equipment	1. Age 2. Hrs 3. Mech. evaluation	>12 years and/or 15 000hrs > 60%
9. Refuse compactor	1. Age 2. Mech. evaluation	>9 years and/or > 60%
10. Fire engines	1. Age 2. Mech. evaluation 3. Tech. evaluation*	15 - 20 years and/or > 60% > 70%
<b><u>Small implements</u></b> 11. Rollers, Cement Mixers, Track Excavators, Trailers and related Equipment	1. Age 2. Mech. evaluation	>10years and/or >60%

## 6. FLEET PLANNING

### 6.1 Fleet register

The Head: Asset and Fleet Management shall ensure that all key data of each vehicle is included in the asset register. The details in the vehicle register must include:

- (a) a description of the vehicle, (registration number, model, etc);
- (b) purchase cost;
- (c) current depreciated value;
- (d) the useful life; and
- (e) date of acquisition - date of disposal (if applicable).

### 6.2 Renting of vehicles

The renting of vehicles or equipment must be approved by the relevant director subject to budget allocation. The Division Head shall be responsible for arranging the renting of vehicles or equipment and the managing thereof.

## 7. OPERATION AND MAINTENANCE

### 7.1 Maintenance plan

- 7.1.1 The relevant Manager must prepare an annual maintenance plan based on each vehicle's prescribed maintenance schedule.
- 7.1.2 Each Manager must ensure that no vehicles are used beyond their service/maintenance schedules.
- 7.1.3 For vehicles that are still within their warranty periods, the maintenance plan shall be as prescribed by the manufacturer.
- 7.1.4 For vehicles outside the warranty period, the maintenance plan shall be informed by items such as the prescribed maintenance intervals and issues noted in the vehicle logbooks.

### 7.2 Registration, annual renewal & certificates of fitness

The Head: Asset and Fleet Management must maintain a register of the registration certificates, roadworthy certificates (COF's), licences and all other data pertaining to the identity of all vehicles, plant and equipment.

### 7.3 Insurance

- 7.3.1 The relevant Manager must ensure that all vehicles assigned to his or her department are properly bar coded, insured and supplied with a fuel card where applicable.
- 7.3.2 The Head: Asset and Fleet Management must ensure that sufficient detail of the entire fleet of the municipality is communicated to the corporate insurance service provider.
- 7.3.3 All accidents or damage to vehicles must be reported immediately to the relevant Divisional Head, who will have the authority to withdraw the vehicle from service in order to repair it or prevent further damage. Accidents and damage to vehicles must be reported in accordance with the Fleet User Guide.

### 7.4 Vehicle Accident Committee

A Vehicle Accident Committee has been established, the main function of which will be to act as the controlling body for conducting accident investigations and ensuring that drivers or operators abusing vehicles, be kept accountable where negligence on the part of the driver or operator is proved. Drivers will then be kept liable for excess payments deducted from claims.

### 7.5 Authorising service & repairs

- 7.5.1 The relevant Manager must ensure that no payment for service or repairs that are covered by a maintenance agreement or warranty are authorised.
- 7.5.2 All services and repairs to specialised vehicles must, as far as possible, be contracted to the original manufacturer, or authorised service centre, due to the specialised nature of the work.
- 7.5.3 The relevant Manager must adhere to the supply chain management policy requirements when servicing and repairing vehicles, plant and equipment.
- 7.5.4 The relevant Manager must maintain a warranty register which will provide details of the warranty conditions and periods of each vehicle in his or her department. The warranty information must be reported to the Asset and Fleet Management Division.
- 7.5.5 The relevant Manager is to aggressively pursue claims against the manufacturer for reimbursement of costs caused through the failure of a component apparently defective at manufacture, and against repairers for faulty workmanship.

### 7.6 Breakdowns

- 7.6.1 Breakdowns which result from the inappropriate use of vehicles or non-compliance with vehicle management procedures, such as pre-trip inspections, are to be thoroughly investigated by the relevant Manager and appropriate action taken.
- 7.6.2 The Supply Chain Management division is responsible to develop procedures and actions to be taken by drivers who experience breakdowns outside working hours and to provide drivers with a list of approved suppliers who can assist with repairs and tow in services after working hours.

### 7.7 Fuel and refuelling

- 7.7.1 The Head: Asset and Fleet Management shall be responsible for the fuel management system used by the municipality and ensure that the users of petrol cards are properly informed of the use thereof.
- 7.7.2 The relevant Manager is responsible to sign off and furnish the Head: Asset and Fleet Management with monthly log sheets and receipts issued by fuel suppliers.
- 7.7.3 It is the responsibility of each driver or operator to provide the correct odometer/hour meter reading to the fuel station attendant and to ensure that all log sheets are properly completed and supported by receipts issued by fuel suppliers.
- 7.7.4 Refuelling from sources other than municipal suppliers will not be allowed.
- 7.7.5 It is the responsibility of the Divisional Head to monitor consumption (Misuse/ High consumption) and to take the necessary action. In addition the Asset and Fleet management division will monitor fuel consumption.

## 8. POOL VEHICLES

- 8.1 Pool vehicles are provided for use by municipal employees and temporary employees who by nature of their duties are required to use them during working hours or when required performing standby duties.
- 8.2 The Head: Asset and Fleet Management shall be responsible for the management and allocation of all pool vehicles.
- 8.3 In the event that no pool vehicle is available due to operational reasons, an employee may use his or her private motor vehicle with the authorisation of the Manager of the department and claim expenses in terms of the municipality's Subsistence and Travel policy.
- 8.4 Use of a pool vehicle by a councillor must be authorised by the Municipal Manager and the respective authorisation form must be completed.
- 8.5 Officials requiring the use of a pool vehicle must book a vehicle at least 7 days in advance, except in cases of emergency where the Head: Asset and Fleet may

approve the use of a pool vehicle. Short notice for booking a vehicle may however be accepted subject to the availability of a pool vehicle.

- 8.6 A pool vehicle shall not be released unless written authorisation by the relevant Manager has been received and keys must be collected on the day and time when the vehicle is to be used.
- 8.7 In the event that a pool vehicle is needed before 08:00, the official concerned may collect the vehicle before closing time the day before. In such instance, the vehicle must be parked at the official's residence but it must be parked behind a lockable gate or garage and may not be used for any other purposes. The official will take full responsibility for the safeguarding of the vehicle.
- 8.8 Where the official using the pool vehicle returns after 17h00 from Monday to Thursday and after 15h45 on Friday, the keys and inspection checklist must be returned to Asset and Fleet Management by 08:00 on the next working day.
- 8.9 Prior to use of the pool vehicle the official must inspect the vehicle for any damages, interior defects, tidiness, logbook completion and lost tools and report any defects or damage to Asset and Fleet Management as soon as possible. The last user of a vehicle will be held responsible for any unreported damage, defects, or loss.
- 8.10 The official using the vehicle must ensure that the vehicle is returned in good condition, failing which the municipality reserves the right to take disciplinary action or withhold the allocation of a pool vehicle to such official.
- 8.11 After the use of a pool vehicle, the official shall ensure that the vehicle is not parked when fuel tank is less than ¼ fuel and there after it shall be parked in its allocated parking. Once parked, the driver must ensure that the logbook is completed properly.
- 8.12 Upon return of a pool vehicle, the keys as well as the completed trip authorisation form and pre-drive inspection sheet must be returned to Asset and Fleet Management.

## **9. CONTROL**

### **9.1 Fleet User Guide**

- 9.1.1 A Fleet User Guide, which contains full details of the vehicle control measures to be followed, and which describes the duties of the employees responsible for the use and daily management of municipal vehicles is set out in Schedule 1 to this policy.
- 9.1.2 All users of vehicles will be required to accept the responsibilities allocated to them in terms of the Fleet User Guide in writing.

## **9.2 Allocation of vehicles**

- 9.2.1 Vehicles may only be allocated by the relevant Manager and in the case of pool vehicles by the Head: Asset and Fleet Management, to a person in the employment of the municipality, whose name appears on the list of approved drivers.
- 9.2.2 Any change in driver/operator allocation must be reported to the Manager and must bear his or her approval.

## **9.3 Drivers licences**

- 9.3.1 No employee may drive any municipal vehicle without a valid driver's licence, such licence being subject to validation by the relevant Manager.
  - 9.3.2 No employee may operate any plant or equipment without proof of having received proper training for the specific plant/equipment entrusted to him, such proof to be validated by the relevant Manager.
  - 9.3.3 The cost of obtaining drivers licences or public driver's permits are to be borne by employees. Only where it is a job requirement for an employee to be in possession of a public driver's permit or operator's certificate, the municipality may reimburse the employee for the cost of obtaining the permit or certificate, which cost shall include:
    - (a) The costs charged by the traffic department in respect of the application for and issuing of the permit;
    - (b) The cost of the medical examination, provided the employee is examined by a doctor approved by the municipality; and
    - (c) The cost of the criminal record clearance; and
    - (d) The cost of operator training including travel and subsistence.
  - 9.3.4 Employees who choose to make use of their own doctor will not be reimbursed for the cost of medical examination.
  - 9.3.5 Employees will be reimbursed for the cost of ID photos.
  - 9.3.6 Applicants for new positions in the municipality, where a driver's licence/operators certificate is a precondition for employment, are to be tested and approved of by the relevant Manager before an appointment is made.
- ## **9.4 Induction**
- 9.4.1 The relevant Manager must subject all new drivers to an induction course during which his or her duties and responsibilities will be explained. No driver may use or operate vehicles, plant or equipment before the required induction course has been completed.

- 9.4.2 All drivers must be informed of the contents of this policy and issued with a copy of the Fleet Users Guide, the receipt of which is to be signed off.

## **9.5 Training**

- 9.5.1 The relevant Manager must ensure that all drivers are properly trained to operate vehicles, plant or equipment used in each department.
- 9.5.2 Internal training is to be done by each department itself and the relevant Manager must maintain a training log as well as an induction log.

## **9.6 Use of private vehicles**

- 9.6.1 The use of private vehicles for municipal business is not permitted unless approved by the relevant Manager.
- 9.6.2 The municipality will not be liable for any claims for damages as a consequence of an employee using his or her private vehicle for municipal business unless there is malicious damage to the employee's vehicle which is not the fault of the employee.
- 9.6.3 Private vehicles used for municipal business must be covered by comprehensive insurance.
- 9.6.4 Employees will be reimbursed for the use of private vehicles in terms of the municipality's Travel and Subsistence Policy.
- 9.6.5 Participants in any of the municipality's motor schemes are not permitted to make use of municipal vehicles of similar type for any purpose, but may be transported in a municipal vehicle in exceptional cases with the approval of the Municipal Manager / Director.

## **9.7 Compliance with Road Traffic Act**

- 9.7.1 Drivers of municipal vehicles are required to comply with the rules and regulations at all times.
- 9.7.2 Under no circumstances will the municipality be responsible for parking and traffic infringements by drivers.
- 9.7.3 When required, the municipality will make available to the authorities the detail of the driver in control of the vehicle at the time of the offence.
- 9.7.4 Municipal Drivers will be held responsible for all traffic fines incurred by such driver.

## **9.8 Compliance with Occupational Health and Safety Act**

- 9.8.1 The relevant Manager must, in conjunction with the Health and Safety Officer, ensure that drivers of municipal vehicles are medically fit. In order to promote occupational health and safety in the workplace.
- 9.8.2 Each driver/passenger of a municipal vehicle shall, if any situation which is unsafe or unhealthy, including his or her own health situation, comes to his or her attention, as soon as practicable report such situation to the relevant Manager or Supervisor.

## **9.9 Vehicle Usage**

- 9.9.1 Only municipal officials may be transported in a municipal vehicle.
- 9.9.2 Whenever passengers are to be transported on an open truck, it is the responsibility of the driver to ensure at all times, that the passengers are seated within the body of the truck.
- 9.9.3 Only authorized municipal officials may drive a municipal vehicle.
- 9.9.4 Vehicles may only be used for the purpose for which it is designed.

## **10. VEHICLE TRACKING**

- 10.1 All vehicles will be fitted with a tracking device.
- 10.2 All drivers will be issued a driver identification tag.
- 10.3 If a driver loses his/her driver identification tag he/she will be held responsible for the cost of the replacement tag.
- 10.4 Tampering of the device will be reported to the Manager of the department and if found guilty the driver will be held responsible for the repair cost

## **11. COVID 19 PROTOCOLS**

- 11.1 Every municipal vehicle will have a supply of "wipes" and a bottle of hand sanitiser. Every user must ensure that the steering wheel and seats are wiped before use. The user must also wipe steering wheel and seat after use. Users must use the hand steriliser provided when operating the vehicle. Employees must wear masks inside all Council vehicles.
- Vehicles – limited to carry not more than 70% of permissible carrying capacity e.g. sedan vehicle with capacity for five passengers, allowed to carry four passengers (3 passengers plus driver).

## **12. COMPLIANCE AND ENFORCEMENT**

Non-compliance with any of the provisions contained in this policy or the Fleet User Guide in Schedule 1, shall be regarded as misconduct, which will be dealt with in terms of the Disciplinary Code.

## **13. COMMENCEMENT**

This policy will come into effect on the date of original adoption by the Council of Swartland Municipality, save for the amendments which will come into effect on the first day of the new financial year.





**The policy has been reviewed and no amendments are required.**

## **SWARTLAND MUNICIPALITY**

# **PREFERENTIAL PROCUREMENT POLICY**

**Reviewed and Not Amended**

**MARCH 2021**

**PREFERENTIAL PROCUREMENT POLICY** adopted in terms of section 2 of the Preferential Procurement Policy Framework Act, No. 5 of 2000 and the Preferential Procurement Regulations, 2017.

**Adopted: 16 May 2012 (replacing the Preferential Procurement Policy adopted on 17 June 2003)**

**Amended: 21 May 2014**

**Amended: 26 May 2016**

**Adopted: 23 March 2017 (replacing the Preferential Procurement Policy adopted on 16 May 2012)**

### **Contents**

1. Definitions
2. Application
3. Identification of preference point system, designated sector, pre-qualification criteria, objective criteria and subcontracting
4. Prequalification criteria for preferential procurement
5. Tenders to be evaluated on functionality
6. 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million
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8. Local production and content
9. Subcontracting as condition of tender
10. Criteria for breaking deadlock in scoring
11. Award of contracts to tenderers not scoring highest points
12. Subcontracting after award of tender
13. Cancellation of tender
14. Remedies
15. Short title

## Definitions

1. In this Policy, unless the context indicates otherwise, any word or expression to which a meaning has been assigned in the Act must bear the meaning so assigned-

**“B-BBEE”** means broad-based black economic empowerment as defined in section 1 of the Broad-Based Black Economic Empowerment Act;

**“B-BBEE status level of contributor”** means the B-BBEE status of an entity in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

**“black designated groups”** has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

**“black people”** has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;

**“Broad-Based Black Economic Empowerment Act”** means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

**“co-operative”** means a co-operative registered in terms of section 7 of the Cooperatives Act, 2005 (Act No. 14 of 2005);

**“designated group”** means-

- (a) black designated groups;
- (b) black people;
- (c) women;
- (d) people with disabilities; or
- (e) small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);

**“designated sector”** means a sector, sub-sector or industry or product designated in terms of paragraph 8(1)(a);

**“EME”** means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

**“functionality”** means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents;

**“military veteran”** has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

**“National Treasury”** has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

**“people with disabilities”** has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);

**“price”** includes all applicable taxes less all unconditional discounts;

**“proof of B-BBEE status level of contributor”** means-

- (a) the B-BBEE status level certificate issued by an authorised body or person;
- (b) a sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or
- (c) any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;

**“QSE”** means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

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

**“rural area”** means-

- (a) a sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or
- (b) an area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;

**“stipulated minimum threshold”** means the minimum threshold stipulated in terms of paragraph 8(1)(b);

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

**“township”** means an urban living area that any time from the late 19<sup>th</sup> century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

**“treasury”** has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and

**“youth”** has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

## Application

2. The Swartland Municipality must, unless the Minister of Finance has directed otherwise, only apply a preferential procurement system which is in accordance with the Regulations.

## Identification of preference point system, designated sector, pre-qualification criteria, objective criteria and subcontracting

3. The municipality must-
- (a) determine and stipulate in the tender documents-
    - i. the preference point system applicable to the tender as envisaged in paragraph 6 or 7; or
    - ii. if it is unclear which preference point system will be applicable, 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;
  - (b) determine whether pre-qualification criteria are applicable to the tender as envisaged in paragraph 4;
  - (c) determine whether the goods or services for which a tender is to be invited, are in a designated sector for local production and content as envisaged in paragraph 8;
  - (d) determine whether compulsory subcontracting is applicable to the tender as envisaged in paragraph 9; and
  - (e) determine whether objective criteria are applicable to the tender as envisaged in paragraph 11.

## Pre-qualification criteria for preferential procurement

4. (1) If the municipality decides to apply pre-qualifying criteria to advance certain designated groups, the municipality must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-
- (a) a tenderer having a stipulated minimum B-BBEE status level of contributor;
  - (b) an EME or QSE;
  - (c) a tenderer subcontracting a minimum of 30% to-
    - i. an EME or QSE which is at least 51% owned by black people;

- ii. an EME or QSE which is at least 51% owned by black people who are youth;
  - iii. an EME or QSE which is at least 51% owned by black people who are women;
  - iv. an EME or QSE which is at least 51% owned by black people with disabilities;
  - v. an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
  - vi. a cooperative which is at least 51% owned by black people;
  - vii. an EME or QSE which is at least 51% owned by black people who are military veterans;
  - viii. an EME or QSE.
- (2) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents is an unacceptable tender.

### Tenders to be evaluated on functionality

- 5.(1) The municipality must state in the tender documents if the tender will be evaluated on functionality.
- (2) The evaluation criteria for measuring functionality must be objective.
- (3) The tender documents must specify-
- (a) the evaluation criteria for measuring functionality;
  - (b) the points for each criteria and, if any, each sub-criterion; and
  - (c) the minimum qualifying score for functionality.
- (4) The minimum qualifying score for functionality for a tender to be considered further-
- (a) must be determined separately for each tender; and
  - (b) may not be so-
    - i. low that it may jeopardise the quality of the required goods or services; or
    - ii. high that it is unreasonably restrictive.
- (5) Points scored for functionality must be rounded off to the nearest two decimal places.
- (6) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.
- (7) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in paragraph 11.

### 80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million

- 6.(1) The following formula must be used to calculate the points out of 80 for price in respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of 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 price of tender under consideration;  
 $P_t$  = Price of tender under consideration; and  
 $P_{\min}$  = Price of lowest acceptable tender.

- (2) The following table must be used to calculate the score out of 20 for B-BBEE:

B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

- (3) A tenderer must submit proof of its B-BBEE status level of contributor.
- (4) A tenderer failing to submit proof of B-BBEE status level of contributor or is a non-compliant contributor to B-BBEE may not be disqualified, but-
- (a) may only score points out of 80 for price; and
  - (b) scores 0 points out of 20 for B-BBEE.
- (5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- (6) The points scored by a tenderer for B-BBEE in terms of sub-paragraph (2) must be added to the points scored for price under sub-paragraph (1).
- (7) The points scored must be rounded off to the nearest two decimal places.
- (8) Subject to sub-paragraph (9) and paragraph 11, the contract must be awarded to the tenderer scoring the highest points.
- (9)(a) If the price offered by a tenderer scoring the highest points is not market-related, the municipality may not award the contract to that tenderer.
- (b) The municipality may-
- i. negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
  - ii. if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
  - iii. if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- (c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the municipality must cancel the tender.

### 90/10 preference point system for acquisition of goods or services with Rand value above R50 million

- 7.(1) The following formula must be used to calculate the points out of 90 for price in respect of a tender with a Rand value above R50 million, inclusive of all applicable taxes:
- Where-

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

- Ps = Points scored for price of tender under consideration;  
 Pt = Price of tender under consideration; and  
 Pmin = Price of lowest acceptable tender.

(2) The following table must be used to calculate the points out of 10 for B-BBEE:

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	6
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

- (3) A tenderer must submit proof of its B-BBEE status level of contributor.
- (4) A tenderer failing to submit proof of B-BBEE status level of contribution or is a non-compliant contributor to B-BBEE may not be disqualified, but-
- (a) may only score points out of 90 for price; and
  - (b) scores 0 points out of 10 for B-BBEE.
- (5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.
- (6) The points scored by a tenderer for B-BBEE contribution in terms of sub-paragraph (2) must be added to the points scored for price under sub-paragraph (1).
- (7) The points scored must be rounded off to the nearest two decimal places.
- (8) Subject to sub-paragraph (9) and paragraph 11, the contract must be awarded to the tenderer scoring the highest points.
- (9)(a) If the price offered by a tenderer scoring the highest points is not market-related, the municipality may not award the contract to that tenderer.
- (b) The municipality may-
- i. negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;
  - ii. if the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;
  - iii. if the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.
- (c) If a market-related price is not agreed as envisaged in paragraph (b)(iii), the municipality must cancel the tender.

### Local production and content

- 8.(1) The Department of Trade and Industry may, in consultation with the National Treasury-
- (a) designate a sector, sub-sector or industry or product in accordance with national development and industrial policies for local production and content, where only locally produced services or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other

- relevant factors; and
  - (b) stipulate a minimum threshold for local production and content.
- (2) The municipality must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.
- (3) The National Treasury must inform organs of state of any designation made in terms of paragraph 8(1) through a circular.
- (4)(a) If there is no designated sector, the municipality may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.
- (b) The threshold referred to in paragraph (a) must be in accordance with the standards determined by the Department of Trade and Industry in consultation with the National Treasury.
- (5) A tender that fails to meet the minimum stipulated threshold for local production and content is an unacceptable tender.

### Subcontracting as condition of tender

9. (1) If feasible to subcontract for a contract above R30 million, the municipality must apply subcontracting to advance designated groups.
- (2) If the municipality applies subcontracting as contemplated in sub-paragraph (1), the municipality must advertise the tender with a specific tendering condition that the successful tenderer must subcontract a minimum of 30% of the value of the contract to-
- (a) an EME or QSE;
  - (b) an EME or QSE which is at least 51% owned by black people;
  - (c) an EME or QSE which is at least 51% owned by black people who are youth;
  - (d) an EME or QSE which is at least 51% owned by black people who are women;
  - (e) an EME or QSE which is at least 51% owned by black people with disabilities;
  - (f) an EME or QSE which is 51% owned by black people living in rural or underdeveloped areas or townships;
  - (g) a cooperative which is at least 51% owned by black people;
  - (h) an EME or QSE which is at least 51% owned by black people who are military veterans; or
  - (i) more than one of the categories referred to in paragraphs (a) to (h).
- (3) The municipality must make available the list of all suppliers registered on a database approved by the National Treasury to provide the required goods or services in respect of the applicable designated groups mentioned in sub-paragraph (2) from which the tenderer must select a supplier.

### Criteria for breaking deadlock in scoring

10. (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 B-BBEE.
- (2) If functionality is part of the evaluation process and two or more tenderers score equal total points and equal preference points for B-BBEE, the contract must be awarded to the tenderer that scored the highest points for functionality.
- (3) If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

### Award of contracts to tenderers not scoring highest points

11. (1) A contract may be awarded to a tenderer that did not score the highest points only in accordance with section 2(1)(f) of the Act.
- (2) If the municipality intends to apply objective criteria in terms of section 2(1)(f) of the Act, the municipality must stipulate the objective criteria in the tender documents.

### Subcontracting after award of tender

12. (1) A person awarded a contract may only enter into a subcontracting arrangement with the approval of the municipality.
- (2) A person awarded a contract in relation to a designated sector, may not subcontract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- (3) A person awarded a contract may not subcontract more than 25% of the value of the contract to any other enterprise that does not have an equal or higher B-BBEE status level of contributor than the person concerned, unless the contract is subcontracted to an EME that has the capability and ability to execute the subcontract.

### Cancellation of tender

13. (1) The municipality may, before the award of a tender, cancel a tender invitation if-
- due to changed circumstances, there is no longer a need for the goods or services specified in the invitation;
  - funds are no longer available to cover the total envisaged expenditure;
  - no acceptable tender is received; or
  - there is a material irregularity in the tender process.
- (2) The decision to cancel a tender invitation in terms of sub-paragraph (1) must be published in the same manner in which the original tender invitation was advertised.
- (3) The municipality may only with the prior approval of the relevant treasury cancel a tender invitation for the second time.

### Remedies

14. (1) Upon detecting that a tenderer submitted false information regarding its BBBEE status level of contributor, local production and content, or any other matter required in terms of this Policy which will affect or has affected the evaluation of a tender, or where a tenderer has failed to declare any subcontracting arrangements, the municipality must-
- inform the tenderer accordingly;
  - give the tenderer an opportunity to make representations within 14 days as to why-
    - the tender submitted should 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;
    - if the successful tenderer subcontracted a portion of the tender to another person without disclosing it, the tenderer should not be penalised up to 10 percent of the value of the contract; and
    - the tenderer should not be restricted by the National Treasury from conducting any business for a period not exceeding 10 years with any organ of state; and
  - if it concludes, after considering the representations referred to in sub-paragraph (1)(b), that-
    - such false information was submitted by the tenderer-

- (aa) disqualify the tenderer or terminate the contract in whole or in part; and
  - (bb) if applicable, claim damages from the tenderer; or
  - the successful tenderer subcontracted a portion of the tender to another person without disclosing, penalise the tenderer up to 10 percent of the value of the contract.
- (2) (a) The municipality must-
- inform the National Treasury, in writing, of any actions taken in terms of sub-paragraph (1);
  - provide written submissions as to whether the tenderer should be restricted from conducting business with any organ of state; and
  - submit written representations from the tenderer as to why that tenderer should not be restricted from conducting business with any organ of state.
- (b) The National Treasury may request the municipality to submit further information pertaining to sub-paragraph (1) within a specified period.
- (3) The National Treasury must-
- after considering the representations of the tenderer and any other relevant information, decide whether to restrict the tenderer from doing business with any organ of state for a period not exceeding 10 years; and
  - maintain and publish on its official website a list of restricted suppliers.

### Short title

15. This policy is called the Preferential Procurement Policy of the Swartland Municipality.



# SWARTLAND MUNICIPALITY

## POLICY WITH REGARDS TO THE PAYMENT OF TRAVEL- AND ACCOMMODATION- AND SUBSISTENCE COSTS

REVIEWED & NOT AMENDED

MARCH 2021

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### SCHEDULE A

1. **Payment of accommodation- and subsistence costs**
  - 1.1 Accommodation- and subsistence costs payable when an official or council member is actual and necessarily absent for less than 24 hours of his/her usual abode or work place.
  - 1.2 Accommodation- and subsistence costs payable when an official or council member is actual and necessarily absent for more than 24 hours of his/her usual abode or work place.
2. **Payment of travel expenses**
  - 2.1 For the execution of official obligations within the area of jurisdiction of the municipality.
  - 2.2 For the execution of official obligations outside the area of jurisdiction of the municipality.



## SWARTLAND MUNICIPALITY

### POLICY WITH RESPECT TO PAYMENT OF TRAVEL, ACCOMMODATION AND SUBSISTENCE COSTS

#### 1. DEFINITIONS

In this policy document, unless the context otherwise indicates -

"accommodation" means overnight accommodation including or excluding breakfast;

"bargaining council" means the Western Cape division of the South African Local Government Bargaining Council;

"fringe benefit vehicle scheme" means a scheme in terms of which a travel allowance is included in the remuneration package for the applicable position, as resolved by the council of the municipality from time to time, and in respect of which a monthly travel allowance is paid;

"essential users scheme" means a scheme, as negotiated in the bargaining council, in terms of which specified personnel, in accordance with the criteria laid down by the bargaining council and adopted by the municipal council, use their own vehicles for official business;

"subsidised vehicle" means a vehicle used by an officer or councilor of the municipality for official business and which, in the case of officials, was acquired in pursuance of a fringe benefit vehicle scheme or an essential users scheme and, in the case of a councilor, his/her own vehicle used for official business for which a travel allowance is paid;

"chief financial officer" means an official who has been appointed as such by the accounting officer in accordance with section 80(2)(a) of the Municipal Financial Management Act, 2003 (Act 56 of 2003);

"municipality" means the Swartland Municipality;

"private vehicle" means a vehicle which is not a subsidized vehicle and is registered in the name of an official or councilor, which is used by such official or councilor for official business;

"councilor's own vehicle" means a vehicle used by a councilor for official business, which is his/her property, in respect of which a fixed travel allowance, as determined by the municipal council from time to time, is paid to the said councilor and which allowance is subject to the conditions as determined by the Minister of Provincial and Local Government in terms of the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998);

"accounting officer" means the Municipal Manager of the municipality;

"subsistence" means meals and incidental costs as contemplated in paragraph 1.2 of Schedule A excluding accommodation.

"MFMA" means Local Government: Municipal Finance Management Act No 56, 2003

"Application form" means an electronic form on the municipal's system that must be completed with estimated costs before traveling overnight

"Claim form" means the electronic form on the municipal's system where a person claims their actual traveling expenses

"Late Claim" means a claim form submitted for authorization after the 10th of the following month travelled

"Daily Allowance" means a subsistence allowance given to an official or councilor in line with the Income Tax Act no 58 of 1962 excluding the cost of meals but further subject to the SARS tax thresholds in respect of the re-imbursement of meals as it relates to the subsistence allowance

"Incidental cost" means cost incurred (excluding meals) by an official or councilor while travelling to a work orientated activity whereby the actual cost are reimbursed (with supporting documentation) to the official or councilor.

"Public office bearer/s" means all councilors of Swartland Municipality including the Executive Mayor, Deputy Mayor, Speaker, members of the Executive Mayoral Committee and ordinary councillors.

"Senior Official/s" means employees of Swartland Municipality reporting directly to the accounting officer

"Officials" mean employees of Swartland Municipality excluding the Accounting officer, Public office bearer/s and Senior Officials

"Municipal Official/s" includes the accounting officer, senior officials and officials

"Department" means a section of the municipality that reports directly to the accounting officer and in relation to Swartland Municipality consist of Civil -, Corporate -, Development -, Electrical -, Finance - and Protection Services

"Division" means a section of the municipality that reports to a Department e.g. Human Resources

## 2. APPLICATION OF POLICY

This policy applies to public office bearers as well as municipal officials of the municipality and also incorporates provisions pertaining to reimbursement of persons invited by the municipality for job interviews.

This policy is not applicable to official obligations to be carried out beyond the borders of the Republic of South Africa.

In such cases permission must be obtained from the executive mayor for the relevant trip and reimbursement for the travel, accommodation and subsistence costs will be determined by the executive mayor in consultation with the accounting officer, on a case by case basis, as and when necessary, provided that in such cases travel, accommodation and subsistence costs will only be paid if provision has been made in the current budget for such expenditure.

When the executive mayor have to carry out official obligations outside the Republic of South Africa the travel, accommodation and subsistence costs for such visits must be approved in advance by the full council of the municipality.

## 3. PURPOSE OF THE POLICY

From time to time it is necessary for municipal officials and public office bearers of the municipality to perform official duties within as well as outside the area of jurisdiction of the municipality and of necessity travel, accommodation and subsistence costs in respect of these officials has to be incurred.

The purpose of this document is therefore to document a policy clarifying in which instances and to what extent, travel, accommodation and subsistence costs may be incurred and expenditure so incurred by municipal officials or public office bearers will be reimbursed to him or her.

## 4. AUTHORIZATION FOR PAYMENT OF TRAVEL, ACCOMMODATION AND SUBSISTENCE COSTS FOR DOMESTIC OBLIGATIONS

4.1 Where travel, accommodation and subsistence costs have to be incurred in respect to the carrying out of an official obligation by municipal officials or public office bearers (for example representation of the municipality at a conference, workshop, meeting, seminar or any other official obligation) the related travel, accommodation and subsistence costs will only be paid –

- if the discharge of such official obligation has been authorized in advance as set out in paragraphs 4.2 to 4.4, and
- an application form is duly completed and authorized by the signature of executive mayor, or the accounting officer, senior official, or an official in charge of a division on the understanding that the completion of the application form

and authorization thereof must occur prior to the person's traveling and will be mandatory in the following instance/s -

- in all cases where an official obligation must be undertaken outside the area of jurisdiction of the municipality and in respect of which travel, accommodation (only applicable if the distance to travel exceeds 250km radius from the municipal office or when there is an evening function or when the municipality don't incur any cost concerning accommodation) and subsistence costs, as contemplated in paragraphs 1 and 2.2 of Schedule A, must be paid;
- a claim form is duly completed and authorized by the signature of executive mayor, or the accounting officer, senior official or an official in charge of a division and will only be mandatory in the following instances -
  - in all cases where an official obligation must be undertaken outside the area of jurisdiction of the municipality and in respect of which either travel or accommodation (only applicable if the distance to travel exceeds a 250km radius from the municipal office or when there is an evening function or when the municipality don't incur any cost concerning accommodation) and subsistence costs, or both, as contemplated in paragraphs 1 and 2.2 of Schedule A, must be paid;
  - in those instances where an official obligation must be carried out within the area of jurisdiction of the municipality in respect of which travel costs as contemplated in paragraph 1 and 2.1 of Schedule A must be paid.
- the provisions set out in this policy are duly met.

4.2 Authorization for the carrying out of an official obligation as contemplated in paragraph 4.1 may only be granted as follows -

- The executive mayor for the accounting officer in respect of air travel, limited to economy class
- The accounting officer for all municipal officials or public office bearers in respect of air travel, limited to economy class
- The executive mayor for the accounting officer in respect of accommodation, subsistence and/or travel costs
- The accounting officer for the executive mayor or senior officials, in respect of accommodation, subsistence and/or travel costs;
- Senior officials or an official in charge of a division for officials in their respective departments or divisions in respect of accommodation, subsistence and/or travel costs.

Deviations from NT prescripts – provide for travel agent / establish terms of reference for the latter

In instances where the accommodation -, car hire or air travel costs exceed an amount as determined from time to time by the National Treasury, the travel agent must provide written reasoning for the deviation by way of confirming same as part of the quotation provided via e-mail.

Authorization for the carrying out of an official obligation involving payment of business class air travel can only be granted by:

- the executive mayor in respect the accounting officer; or
- the accounting officer in respect of public office bearers, senior officials and officials;

and only in the following instances:

- for flights exceeding five hours; or
- the municipal official or a political office bearer has a disability or a medically certified condition; or
- in cases where economy class are not available; or
- where the business class ticket is the same price or cheaper than the economy class ticket to the same destination.

International travel must be limited to meetings or events that are considered critical and the number of municipal officials or political office bearers attending international meetings or events must be limited to those municipal officials or political office bearers directly involved in the subject matter/ area of responsibility related to such meetings or events, provided that -

- there is adequate provision in the budget for the commitment of such expenditure and the budget for the respective votes has not been exhausted or will not be exceeded;
- the authorization granted is in compliance with the provisions of this policy document; and

The authorising municipal official or executive mayor must consider, prior to approving travel requests:

- the necessity to travel; limited to absolute critical trips in support of the municipal's mandate;
- the benefit to the municipality; and
- compliance with the municipality's Travel Policy.

Delegations to the same event, conference, consultation or meeting may only exceed three (2) officials if approved in advance by the accounting officer or delegated official.

- 4.3 When authorization is given in terms of paragraph 4.2, the executive mayor, accounting officer, senior official or official in charge of a division, as the case may be, confirms that he/she authorizes any of the following in respect of the relevant official duty ( this further subject to the system of delegations when applicable and appropriate) -

- air travel;
- parking/garaging for a private or subsidized vehicle at the airport;
- hire of a vehicle for travel from the airport of destination to lodging, or from lodging to place where the official duty has to be fulfilled; or
- use of a private or subsidized vehicle.
- available public transport or a shuttle service (when traveling by air) if the cost of such a service is lower than -
  - the cost of hiring a vehicle;
  - the cost of parking.

Where the expenditure is not duly authorized by the executive mayor, accounting officer, senior official or official in charge of a division, no such expense may be reimbursed to an official or councilor who incurred the expenditure.

- 4.4 When the authorization of the executive mayor, accounting officer, senior official or official in charge is in terms of the provisions of paragraph 4.3 consideration must be given as to whether air transport or a private or subsidized vehicle should be used in those instances where more than one municipal official and/or public office bearer has to attend the same official occasion, the executive mayor, accounting officer, senior official or official in charge must take into account that it could be more economical to authorize the use of a private or subsidized vehicle as the case may be rather than air transport .

- 4.5 When an official obligation is authorized in accordance with the above mentioned provisions, the completed application and/or claim forms should be submitted to the relevant official in the Finance Department.

## 5. PAYMENT OF ACCOMMODATION AND SUBSISTENCE COSTS

- 5.1 Where authorization in accordance with the provisions of paragraph 4 hereof is given, accommodation and subsistence costs will be paid in terms of and in accordance with the conditions and limitations as set out in paragraph 1 of Schedule A.

- 5.2 Where a municipal official or public office bearer spends one or more nights away from home on official business, the said municipal official or public office bearer may stay in a hotel, guest house, bed and breakfast establishment or hire a chalet or similar self-catering accommodation for this purpose. If a municipal official or public office bearer

stays at a family member or friend, no accommodation expenses will be paid. Subsistence expenses will, however be paid in accordance with the provisions of this policy.

5.3 As a general rule public office bearer and municipal officials must make every effort to secure accommodation as close to the place of the official duty as possible.

5.4 Air travel, Accommodation cost and Vehicle hiring:

- are payable through Supply Chain Management and Expenditure processes;
- Travel Agencies shall only make booking arrangements on behalf of the municipality in accordance with negotiated rates for flights and accommodation as communicated from time to time by National Treasury through notice unless the specifics of the situation or time of booking dictate otherwise;
- or any other available cheaper flight and accommodation.

5.5 In the event of meals being part of the accommodation package of the hotel, guest house or bed and breakfast establishment or where meals are provided during any official obligation attended by a municipal official or public office bearer, by free of charge, or is included as a portion of the total financial package of, for example, a conference, seminar, workshop, etc., the cost of meals as contemplated in paragraph 1.2 of Schedule A shall not be payable and may not be claimed by a municipal official or public office bearer.

## 6. PAYMENT OF TRAVEL COSTS

6.1 Where authorization in terms of the provisions of paragraph 4 is given, travel costs shall be paid in accordance with and subject to the terms of paragraph 2 of Schedule A.

6.2 Payment of expenses with regard to air travel will be restricted to economy class with the carrier quoting the most economical fare on each occasion in order that the municipal official, public office bearer leaves his/her workplace or home at the latest possible time in order to reach the place of the official business on time, and which will enable him or her to return to his/her home or place of work at the earliest opportunity after completion of the official business.

The effect of the above stipulation shall be that the supply chain management division, for purposes hereof, may accept a less favorable quote form if the time of departure or arrival of the carrier whose quotation is the most favorable, departs to such an extent from the above-mentioned provisions that it will cause inconvenience for the municipal official or public office bearer.

6.3 Payment for garaging of a vehicle at an airport will only be made if it has been authorized in terms of the provisions of paragraph 4.3.

6.4 A municipal official or public office bearer must –

- Utilize the municipal fleet, where viable, before incurring cost for hiring a vehicle;
- Make use of available public transport or shuttle service if the cost of such service is lower than:
  - The cost of hiring a vehicle;
  - the cost of kilometers claimable by the official or political office bearer; and
  - the cost of parking.
- The hiring of a vehicle shall be restricted to class B category vehicles or below unless it proves more cost effective to hire an upgraded group (i.e. the upgraded group if offered free or at a lower charge).
- Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seeks the written approval of the accounting officer before hiring the vehicle.

Thus the expenditure of a municipal official or public office bearer will only be paid provided that it is authorized in accordance with the provisions of paragraph 4.3.

The hiring of a vehicle may only be authorized if alternate transport is not available, too expensive or not practical.

When a motor vehicle is hired, insurance cover must be taken out through the company renting out the vehicle.

6.5 Claims for reimbursement of travel costs must be based on the shortest route from the normal working place or the home of the municipal official or public office bearer to the place of the official obligation.

6.6 In the case of air travel the cost of air tickets will be paid directly to the travel agent used by the municipality, unless an arrangement has been made in accordance with the provisions of paragraph 8.

6.7 Where one or more persons are transported -

- in a private or subsidized vehicle to carry out official business within or outside the area of jurisdiction of the municipality, an additional 30 cents per kilometer will be paid to the owner of the relevant vehicle for every additional person up to 3 additional municipal officials or public office bearer traveling in the same vehicle.

## 7. REIMBURSEMENT OF EXPENSES INCURRED BY AN OFFICIAL OR COUNCILLOR

7.1 On completion of an approved official obligation, the travel and subsistence costs incurred by the municipal official or public office bearer, and which was authorized in advance, must be claimed by the incumbent on the prescribed claim form, together

with the authorization referred to in paragraph 4.5 and submitted to the designated official in the Finance Department.

Expenditure thus incurred on meals and so forth, in compliance with this policy, will be reimbursed to the said official.

#### 8. **USE OF OWN OR PRIVATE TRANSPORT INSTEAD OF AIR TRANSPORT**

Any traveling by vehicle outside of the Western Cape will be limited to the cheapest of the air fares (economy class) or the traveling cost by vehicle.

#### 9. **AIR TRAVEL AND ACCOMMODATION RESERVATIONS**

Air travel and/or accommodation reservations must be made by the designated officials of the Municipality (Refer to paragraphs 4.2, 5.4 and Schedule A section 1.2.1) and in this regard the provisions of the council's supply chain management policy should be strictly adhered to.

#### 10. **TRAVEL, ACCOMMODATION AND SUBSISTENCE COSTS PAYABLE TO PERSONS INVITED FOR JOB INTERVIEWS**

10.1 Where persons are invited by the municipality for job interviews, they will -

- not be reimbursed for accommodation or living expenses; but
- be reimbursed for travel expenses calculated at the non-taxable rate per kilometer as released by the Receiver of Revenue (SARS) on an annual basis. for the distance traveled to the interview. If the accounting officer authorizes air travel for such a person he/she may claim the expense in respect of an air ticket (restricted to economy class), plus the rate per kilometer as referred to above from his/her home to the nearest airport.

10.2 The accounting officer will make the necessary accommodation arrangements for account of the municipality if, in his opinion, it is considered necessary or reasonable that a person who has been invited for a job interview, must stay overnight.

10.3. Payment of claims for travel and/or an air ticket shall be made -

- to candidates whose application was unsuccessful, as soon as possible after a decision in this regard has been made;
- to the successful candidate, within 5 working days after he/she has notified the municipality in writing of his/her acceptance of appointment.

## **SCHEDULE A**

### **1. PAYMENT OF ACCOMMODATION AND SUBSISTENCE [PAR 5 OF POLICY]**

1.1 **Accommodation- and subsistence costs payable when a municipal official or public office bearer is actually and necessarily absent from his/her usual abode or working place – and does not overnight:**

- (1) The actual cost of meals up to a maximum amount of R110,00 for breakfast, R160,00 for lunch and R180,00 for dinner per person per occasion, on condition that the actual cost thus claimed, must be verified with specified invoices (only payable when representing the Municipality for duties outside normal practice). ; and
  - Only the cost of one main course meal per period and non-alcoholic beverages is an allowable expense;
- (2) The actual traveling cost incurred where public transport is utilized must be verified with specified invoices or paid tickets (for example traveling with public transport).
- (3) Incidental costs incurred.

1.2 **Accommodation- and subsistence costs payable when a municipal official or public office bearer is actually and necessarily absent from his/her usual abode or working place and an overnight is applicable. (only payable when official obligations have been fulfilled outside the area of jurisdiction of the municipality) –**

- (1) Accommodation (means overnight lodging where meals may be included or excluded) - the actual cost of accommodation payable subject to the maximum allowable rates table/s as revised and released by National Treasury from time to time subject to the allowance for deviation as set out in this policy in those instances where the situation dictated otherwise
  - A higher star grading may only be booked if (also Refer to 4.2):
  - The higher star graded establishment is the only available option due to location and availability; or
- (2) Subsistence (means only meals and daily allowance, excluding accommodation) – the actual cost of meals is subject to the maximum amounts as set out hereafter, on condition that verifying, specified invoices from the service provider must be submitted before any claims will be paid out.

Meals as specified below must ordinarily be taken as near as possible to normal meal hours, subject to approval by the relevant directorate. –

- breakfast – to a maximum of R110,00 – when breakfast is excluded from the accommodation tariff;
- lunch – to a maximum of R160,00;
- dinner – to a maximum of R180,00.

In addition to the aforementioned costs of meals, an official or council member will also be entitled to an allowance to cover casual expenses. The amount of the daily allowance will be determined by the Receiver of Revenue from time to time and is applicable for each completed period of 24 hours of absence and for each following period of less than 24 hours<sup>1</sup>. No verification for casual expenses needs to be submitted. [For the purposes hereof, casual expenses are expenditures with regards to tips, refreshments, private phone calls etc.].

Meals are limited to three main course meals with non-alcoholic beverages.

The total daily Subsistence (Meals and Daily Allowance) will not exceed the maximum daily subsistence allowance as determined annually by the Receiver of Revenue.

- (3) Where a seminar or congress is held in a specific hotel/center, etc. and accommodation at such hotel/center forms an integrated part of the monetary package payable, the Procurement Policy shall not be applicable.
- (4) The actual traveling cost incurred where you do not travel with your own vehicle, must be verified with specified invoices or pay tickets (for example traveling with public transport).
- (5) Incidental costs incurred.

## **2. PAYMENT OF TRAVEL EXPENSES [PAR. 6 OF POLICY]**

### **2.1 For the execution of official obligations within the area of jurisdiction of the municipality –**

#### **2.1.1 Municipal officials:**

- (1) Use of private vehicle –  
a tariff per km according to the engine capacity of the concerned vehicle, as determined from time to time by the Department of Transport.
- (2) Use of vehicle acquired in accordance to the essential user scheme –  
a tariff per km according to the engine capacity of the norm vehicle, as determined from time to time by the Bargaining Council for fixed and running costs.
- (3) Use of vehicle acquired in accordance to the benefit vehicle scheme (for ad-hoc kilometers as defined in the benefit vehicle scheme contract) –  
by officials within the area of jurisdiction of Swartland Municipality, 60% of the tariff per km according to the engine capacity of the concerned vehicle, as determined from time to time by the Department of Transport.
- (4) Processing of late claims –  
Claim forms received late (Later than the following month travelled with the exception of year-end) for authorization will not be processed for payment.  
  
Year end (June) claims will not be processed for payment if it is not approved before the 10<sup>th</sup> of the following month.

#### **2.1.2 Public office bearers:**

- (1) Use of own vehicle –  
no remuneration payable save for the fixed allowance as from time to time determined by the council of the municipality in accordance with the conditions determined from time to time by the Minister of Provincial and Local Government in terms of the Remuneration of Public Office Bearers Act, 1998 (Act no. 20 of 1998).
- (2) Processing of late claims –  
Claim forms received late (Later than the following month travelled with the exception of year-end) for authorization will not be processed for payment.  
  
Year end (June) claims will not be processed for payment if it is not approved before the 10<sup>th</sup> of the following month.

**2.2 For the execution of official obligations outside the area of jurisdiction of the municipality –**

**2.2.1 Municipal officials**

- (1) Use of private vehicle –  
a tariff per km according to the engine capacity of the norm vehicle, as determined from time to time by the Department of Transport.
- (2) Use of vehicle acquired in accordance to the essential user scheme –  
a tariff per km according to the engine capacity of the norm vehicle, as determined from time to time by the Bargaining council for running costs.
- (3) Use of vehicle acquired in accordance to the benefit vehicle scheme –  
60% of the tariff per km according to the engine capacity of the approved vehicle, as determined from time to time by the Department of Transport.

**2.2.2 Public office bearers:**

For the use of the member's own vehicle –

a tariff per km according to the engine capacity of the concerned vehicle, as determined from time to time by the Department of Transport for fixed and running costs.

2.2.3 In addition to the travel expenses as indicated in 2.1 en 2.2 the following expenses incurred by an official or council member will be reimbursed to him/her, on the condition that verification is submitted, whether a private vehicle or an authorized vehicle is used –

- rent of a car garage at the place of accommodation (only when staying overnight);
- parking costs;
- tollage; and
- stabling of vehicles at airport (only if authorized in advance).

**2.2.4 Municipal Officials and Public office bearers (authorized air transport)**

Where air transport is authorized for the execution of official obligations (Refer to 4.2) outside the area of jurisdiction of the municipality by an official or council member, transport expenses and additional costs is paid as follows –

- (1) Where an official or council member uses his/her private or authorized vehicle to travel to and from the Cape Town International Airport –
  - km covered between the normal working place or concerned official/member's abode and the airport x 2 at the relevant tariff as indicated in paragraphs 2.2.1 or 2.2.2; and
  - km covered between the airport and the normal working place or the concerned official or member's abode x 2 at the relevant tariff as indicated in paragraphs 2.2.1 or 2.2.2.

[where stabling of such a vehicle on the airport is authorized beforehand, the distance as indicated above is not multiplied and such a member or official or council member will only be reimbursed for to and from the airport once and where an official vehicle is used to transport an official or council member between the municipal offices and the airport, no travel expenses are payable];

- (2) the stabling costs of a vehicle if it is authorized beforehand;
- (3) taxi fees, bus fees and/or public transport costs and/or rent of a vehicle (if the rent of a vehicle is authorized beforehand) for traveling between the airport to the final destination and the place of accommodation and place where official obligations are executed;
- (4) parking costs when a rented vehicle is used; and
- (5) tollage

on the condition that the costs mentioned in (2), (3), (4) and (5) above, will only be paid on the submission of verification thereof.

# MUNICIPAL COST CONTAINMENT POLICY



**Reviewed and not Amended**

**March 2021**

## SWARTLAND MUNICIPAL COST CONTAINMENT POLICY

**LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, No 56 of  
2003**

**Date of adoption: 1 July 2019**

The Council of the Swartland Municipality resolves in terms of section 168 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Cost Containment Regulations (*Government Gazette* No. 42514) to adopt the following as the Cost Containment Policy of the municipality:

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## 1. DEFINITIONS

In this policy a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and-

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

**"accounting officer"** means the Municipal Manager appointed as such by the Council of Swartland Municipality in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

**"conferences and events"** means conferences, events, meetings and study tours hosted or attended by political office bearers or officials of the municipality;

**"consultant"** means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

**"cost containment"** means measures implemented to curtail spending in terms of this policy;

**"credit card"** means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder;

**"political office bearer"** means the Speaker, Executive Mayor, Deputy Mayor or Member of the Executive Mayoral Committee which for purposes of this policy will have the meaning to include ordinary councillors as referred to in the Municipal Structures Act;

**"officials"** shall, for the purpose of clarity, include persons reporting directly to the accounting officer; and

**"social events"** means events involving only municipal councillors and/or officials of the municipality and do not include events where the public is involved or held to the benefit of the public.

## 2. OBJECT OF POLICY

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

## 3. APPLICATION OF POLICY

This Policy applies to all officials and political office bearers in Swartland Municipality. This policy overrides provisions of any other policy of the municipality insofar that it seeks to regulate cost containment. In the case of differences between policies, this policy shall take precedence.

## 4. USE OF CONSULTANTS

4.1 The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full-time employ to perform the function. For purposes of such assessment the template document as per **Annexure A** to this policy must be completed.

4.2 The Accounting Officer adopts the below-mentioned reference to rates as the municipality's fair and reasonable remuneration framework for consultants, provided that where no prescribed rates are available, the municipality may from time to time adjust the rates as per prevailing market conditions, limited however to one thousand rand (R1 000) per hour in respect of 2019/20: -

- (a) "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) "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration;
- (c) rates as prescribed by the body regulating the profession of the consultant, including but not limited to
  - Engineering Council of South Africa (ECSA)
  - South African Council for the Quantity Surveying Profession (SACQSP)
  - South African Council for the Architectural Profession (SACAP)
  - South African Council for the Landscape Architectural Profession (SACLAP)
  - South African Council for Project and Construction Management Professions (SACPCMP)
  - 2018 Guideline Professional Fees in terms of section 29 of the Planning Professions Act (less 30%)
  - June 2009 fee scale as per Draft Guidelines issued by PLATO and SAGI (less 30%)
- (d) any other reasonable framework prescribed by Professional Bodies and/or spheres of Government.

4.3 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 4.2.

4.4 Taking into account the above-mentioned rates, the Accounting Officer has delegated powers to consider and approve or reject applications to exceed these rates based on a fully motivated written and signed request by the relevant senior manager in exceptional circumstances.

4.5 When negotiating cost-effective consultancy rates for international consultants, the Accounting Officer may take into account the relevant international and market-determined rates.

4.6 When consultants are appointed, the Accounting Officer or delegated official in terms of his/her System of Delegation 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 where applicable and appropriate;
  - (d) ensure the transfer of skills by consultants to the relevant officials of the municipality; and
  - (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's Supply Chain Management Policy.
- 4.7 The accounting officer or delegated official in terms of his/her System of Delegation must review its consultancy reduction plan on an annual basis and develop consultancy reduction plans to reduce the reliance on consultants where applicable and appropriate.
- 4.7 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 4.8 The municipality 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. The senior manager concerned must ensure that contractual deliverables as specified are met by the Service Provider.
- 4.9 No subsistence costs shall be paid to consultants, whereas travel costs of consultants shall be limited to a maximum tariff of R3,61 per km or the amended tariff as may be determined by the South Africa Revenue Service from time to time. This provision shall not apply in respect of contracts entered into prior to the effective date of this policy, i.e. 1 July 2019.
- 4.10 When a housing project implemented by the municipality is subject to the quantum as determined by the Department of Human Settlements from time to time, those quantum values are accepted as the remuneration applicable to implementing agents and other tenderers.

## **5. VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 5.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive)<sup>1</sup> of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 5.2 The procurement of vehicles as referred to in 5.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 5.3 Before deciding to procure a vehicle as contemplated in 5.1 and 5.2, the Accounting Officer or delegated official in terms of his/her System of Delegation must provide the council with information relating to the following criteria which must be considered-
- (a) status of current vehicles;
  - (b) extent of service delivery backlogs;

<sup>1</sup> Refer MFMA Circular No 97 in terms of which this amount represents "total costs, including financing charges".

- (d) terrain for effective usage of the vehicle; and
  - (e) any other policy of council.
- 5.4 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 185 000 kilometres and in terms of the criteria as determined in the municipality's Fleet Management Policy.
- 5.5 Notwithstanding 5.4, the municipality may replace a vehicle for official use by political office bearers before the completion of 185 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 5.7 The accounting officer or delegated official in terms of his/her System of Delegation must ensure that the use of municipal vehicles for official purposes is addressed in the municipality's Fleet Management Policy.

## **6. TRAVEL AND SUBSISTENCE**

All instances and the extent to which travel and subsistence costs may be incurred and reimbursed to a political office bearer or official shall be addressed by the Accounting Officer or delegated official in terms of his/her System of Delegation in the municipality's Policy with regards to the Payment of Travel- and Accommodation- and Subsistence Costs, provided that – in those instances where it is not possible to secure air travel strictly in terms of National Treasury prescripts, due to among others the availability of flights and accommodation and the timing of appointments, the travel agent acting as service provider on the municipality's behalf shall provide reasons for same.

## **7. DOMESTIC ACCOMMODATION**

All instances and the extent to which accommodation costs may be incurred and reimbursed to a political office bearer or official shall be addressed by the Accounting Officer or delegated official in terms of his/her System of Delegation in the municipality's Policy with regards to the Payment of Travel- and Accommodation- and Subsistence Costs, provided that – in those instances where it is not possible to secure accommodation strictly in terms of National Treasury prescripts, due to among others the non-availability of 3\* accommodation and the timing of appointments – the travel agent acting as service provider on the municipality's behalf shall provide reasons for same.

## **8. CREDIT AND DEBIT CARDS**

- 8.1. The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or political office bearer. Debit cards are used for petty cash purposes only and are regulated via the Cash Management policy.
- 8.2. Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the municipality's approved Travel

and Subsistence Policy and processes.

## **9. SPONSORSHIPS, EVENTS AND CATERING**

- 9.1 In the absence of a definition in the Municipal Cost Containment Regulations published in the Government Gazette 42514 of 7 June 2019, sponsorships shall be deemed for purposes of this policy to exclude financial contributions or donations made in the form of services rendered to events that meaningfully contribute towards local economic development, authorised by the Accounting Officer in his sole discretion, which services could be calculated in monetary terms, such as services rendered to the Berg River Canoe Marathon and KykNet Expo, but limited to events that take place in the West Coast District area.
- 9.2 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the Accounting Officer or delegated official in terms of his/her System of Delegation is obtained and provided that such expenditure may only be incurred in respect of employee wellness events.
- 9.3 The Accounting Officer or delegated official in terms of his/her System of Delegation may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours, provided that a budget exists.
- 9.4 All expenses in terms of 9.2 and 9.3 must be allocated to the mSCOA classification created for catering accounts under the various cost centres the cost relates to.
- 9.5 Entertainment allowances of qualifying officials may not exceed two thousand rand (R2 000) per person per financial year, unless approved otherwise by the Accounting Officer.
- 9.6 The municipality shall not incur expenses on alcoholic beverages.
- 9.7 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality's budgets or by any suppliers or sponsors.
- 9.8 The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- 9.9 The Accounting Officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.
- 9.10 Catering (in the form of light refreshments) may be provided for community project engagements hosted by the municipality's Community Development Services Division, given the nature and intent of NGO, PBO and related engagements, provided that such budget exists.

## **10. COMMUNICATION**

- 10.1 Unless required by legislation the municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the Accounting Officer.
- 10.2 Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- 10.3 The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **11. CONFERENCES, MEETINGS AND STUDY TOURS**

- 11.1 For purposes of this policy, conferences shall be deemed to exclude those conferences held and arranged by recognised Professional Bodies to which officials of the municipality are formally registered, limited to the following bodies:
  - AMEU - Association of Municipal Electricity Utilities
  - CIGFARO - Chartered Institute of Government Finance, Audit & Risk Officers
  - IMPSA - Institute for Municipal People Practitioners of Southern Africa
  - ECSA - Engineering Council of South Africa
  - SARPA - Southern Africa Revenue Protection Association
  - SACSSP - South African Council for Social Services Professions
  - ECSA - Engineering Council of South Africa
  - WMF - Waste Managers Forum
  - IMESA - Institute for Municipal Engineers of South Africa
  - South African Institute of Valuers
  - IMPS-SA - Institute for Municipal Public Safety of Southern Africa
  - IIA - Institute for Internal Auditors,
  - ITLMPOSA - Institute of Traffic, Licensing and Metro Police Officers of Southern Africa andprovided that approval to attend conferences held by the above-mentioned bodies are dealt with in terms of the municipality's Travel and Subsistence system in Collaborator.
- 11.2 In those instances where it is required from officials who are not members of the above-mentioned professional bodies to attend conferences hosted by such bodies, the Accounting Officer or delegated official in terms of his/her System of Delegation must authorise the deviation and issue approval in terms of the municipality's Travel and Subsistence system in Collaborator. Said authority may only be delegated to senior managers reporting directly to the Accounting Officer, and no further sub-delegation shall be allowed. Not more than two officials will be allowed to attend the same conference.
- 11.3 The threshold of two thousand five hundred rand (R2 500) as referred to in 11.7 shall not apply to the above-mentioned Professional Bodies.
- 11.4 The Accounting Officer may consider applications to attend conferences or events

hosted by professional bodies (other than those listed above) or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives, and provided that pre-approval be obtained in terms of the municipality's Policy with regards to the Payment of Travel- and Accommodation- and Subsistence Costs where applicable and appropriate, provided that such budget exists.

- 11.5 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, the Accounting Officer or Mayor as the case may be, must take the following into account:
  - (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
  - (b) whether the conference or event addresses relevant concerns of the institution;
  - (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
  - (d) the availability of funds to meet expenses related to the conference or event.
- 11.6 The Accounting Officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 11.7 The cost to attend a conference or an event by non-governmental institutions may not exceed two thousand five hundred (R2 500) per conference.
- 11.8 The amount referred to in 11.6 and 11.7 excludes costs related to travel, accommodation and related expenses, but includes-
  - (a) conference or event registration expenses; and
  - (b) any other expense incurred in relation to the conference or event.
- 11.9 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 11.10 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- 11.11 Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction.
- 11.12 The Accounting Officer must grant the approval for officials and in the case of political office bearers and the Accounting Officer, the Mayor, as contemplated in 11.4.
- 11.13 The municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 11.14 The provisions of this policy do not apply to training and related events in terms of the municipality's approved Workplace Skills Plan as well as training and workshops presented by governmental entities.

## 12. OTHER RELATED EXPENDITURE ITEMS

- 12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 12.2 Municipal resources shall not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 12.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 12.4 The municipality shall not incur expenditure on elaborate and expensive office furniture.
- 12.5 Subject to 12.6, the municipality may only use the services of the South African Police Service (SAPS) to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- 12.6 As the safety of the officials and political office bearers are important, the Accounting Officer may deviate from section 16.5 where the SAPS services required could not be obtained within a reasonable time.
- 12.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. The Accounting Officer or delegated official in terms of his/her System of Delegation shall ensure that matters pertaining to the payment of overtime are regulated in the municipality's Overtime Policy.
- 12.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

## 13. ENFORCEMENT PROCEDURES

Any allegation brought to the attention of the Accounting Officer or Senior Manager must be investigated and will be dealt with in accordance with the Code of Conduct.

## 14. DISCLOSURES OF COST CONTAINMENT MEASURES

- 14.1 The disclosure of cost containment measures applied by the municipality must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.
- 14.2 The following initiatives will be implemented during 2019/20:
  - (1) The Vehicle Tracking system will be utilised in a bid to save on fuel costs
  - (2) Entertainment allowances
  - (3) Printing costsIt is recorded that from the cost containment measures implemented in prior years, telephone savings have already materialised.
- 14.3 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the

implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.

- 14.4 The reports referred to in 14.3 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

#### 15. SHORT TITLE AND COMMENCEMENT

- 15.1 This policy is in line with the Municipal Cost Containment Regulations published in the Government Gazette 42514 of 7 June 2019 and take effect on 1 July 2019, irrespective of the date of approval of said policy, unless specifically otherwise dictated in this policy.
- 15.2 The Accounting Officer or delegated official in terms of his/her System of Delegation shall ensure that the policy is reviewed annually and submitted in council along with the municipality's budget-related policies, where after the policy shall be communicated on the municipality's website.

## ANNEXURE A TEMPLATE

### REPORT TO THE MANAGER: SUPPLY CHAIN

**SUBJECT:** USE OF CONSULTANTS

**DIRECTORATE:** XXX

**AUTHOR:** XX XX

**DATE:** [Select Date]

#### 1. Project Description

Project name, vote no, financial year

#### 2. Assessment of the skills and resources required to implement the project

2.1 Project scope of work  
Provide a short description of the scope of work required.

2.2 Skills and resources  
List/Discuss the skills and resources required to undertake the scope of work.

#### 3. Internal capacity and/ or resources

Explain why internal capacity and / or resources required are not available to perform the scope of work.

#### 4. Remuneration framework

List the applicable remuneration framework and whether travel and subsistence cost is applicable.

#### 5. Transfer of skills

Indicate if a transfer of skills is to be part of the appointment if applicable and if the specific service should be included in the consultant reduction plan.

#### 6. Budget provision for the appointment of consultant/s

List the budget provision and vote no's.

_____	_____
Contract Manager	DATE

_____	_____
Director of Department	DATE



# **SWARTLAND MUNICIPALITY**

## **LONG TERM FINANCIAL PLANNING POLICY**



**REVIEWED AND NOT AMENDED**  
**MARCH 2021**

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## 1. INTRODUCTION

The Municipal Budget and Reporting Regulations (section 7) requires the Accounting Officer to prepare, or take all reasonable steps to ensure the preparation of the Budget Related Policies of the municipalities. Budget related policies include a policy relating to the long term financial plan.

The long term financial plan is considered to be one of the most important strategic documents of the municipality, as this document does not only incorporate various development and implementation plans for the provision of basic services, it is also aimed to assist Municipal Councillors to make informed decisions relating to the provision of basic services and capital programs.

The long term financial plan will also contribute significantly to the obligation that every organ of state, including municipalities, have in term of Section 215 of the Constitution of the Republic of South Africa whereby budgetary processes must promote the following principles:-

- Transparency;
- Accountability;
- and the effective financial management of the economy, debt and the public sector.

Goals and objectives, which forms the core of the financial plan, should be established for the short term (12 months), medium term (2 – 5 years) as well as the long term (beyond 5 years) . These goals and objectives should guide all budget and policy related decision of the municipality and should directly inform the Municipality's estimated expenditure over the medium term. The financial plan should also set out where the funding for the expenditure will come from.

## 2. SCOPE OF THE POLICY

In order to ensure that all budget and policy related decisions contribute to the long term sustainability of the municipality, this policy includes:

- The objectives of the policy;
- Guidance to develop the financial plan;
- Implementation and Review of this policy

## 3. OBJECTIVES OF THE POLICY

The main objective of this policy is to establish and document a structured approach to be followed when compiling a long term financial plan. The long term plan must ensure that the municipality remains financially viable for the foreseeable future while also ensuring that current and future service delivery needs of the community are met.

## 4. GUIDANCE TO DEVELOP THE FINANCIAL PLAN

The long term financial plan must be developed (and reviewed) in a phased approach. The phases include the following:

- Phase 1: Perform a status quo assessment
- Phase 2: Determine medium to long term needs
- Phase 3: Perform a risk assessment
- Phase 4: Develop the Long Term Financial Plan

The four phases will be discussed in the following sections.

### 4.1. Phase 1: Perform a status quo assessment

The status quo assessment must be performed to establish the current financial status of the municipality. This assessment will highlight both the key challenges faced by the municipality as well as the areas of strength. It will also identify the current revenue sources, the main cost drivers, the status of municipal infrastructure (including service delivery backlogs) as well as the municipality's ability to finance capital expenditure programs.

Based on the above, the status quo assessment of the municipality must incorporate the following:

- The current realities of the municipality, which includes the demographic information, local economic information, indigent household and service delivery backlogs information as well as housing needs.
- The financial overview based on actual historic information as well as tabled budgets. The overview should include sections on the following:
  - o Revenue Management;
  - o Expenditure Management;
  - o Debtor and creditor management;
  - o Cash Management;
  - o Asset Management; and
  - o Funding and Reserves.



- Where applicable, all assessments must include relevant ratio- and trend analysis. Ratio- and trend analysis should include, **but is not limited to**, the following:
  - o Trends on major line items and balances;
  - o Gross debtors to annual revenue;
  - o Debtors Collection Period (Days);
  - o Annual Collection Rate;
  - o Cash Coverage Ratio;
  - o Employee Costs to Total Operating Expenditure;
  - o Repairs and Maintenance to PPE; and
  - o Liquidity Ratio (Current Ratio).
- Financial goals and targets should be developed to guide municipal decision making.

#### 4.2. Phase 2: Determine medium to long term financing needs

The integrated development plan (IDP) is considered to be the primary document to determine the medium to long term capital needs of the municipality. The IDP is directly informed by the various area plans of the municipality. Area based planning is an initiative that complements the IDP process by focusing and zooming in on the needs of communities.

These capital needs, together with the operating needs, are then incorporated into the 5 year budget of the municipality. The budget will also identify the relevant sources of funding.

#### 4.3. Phase 3: Perform a risk assessment

Based on the information gathered in phase 1 and phase 2, the municipality should perform a detailed financial viability assessment. This assessment must identify all the risk areas that pose a threat to the financial sustainability of the municipality. The assessment should also provide guidance to the management/council of the municipality on the financial areas that require corrective measures.

Management and Council of the municipality should develop strategies to address these sustainability threats.

#### 4.4. Phase 4: Develop the Long Term Financial Plan

The detailed long term financial plan must be developed by incorporating all strategies identified in phase 3. The modeling of the financial plan is also based on the current realities, financial overview and targets and risk assessments.

The financial plan must clearly highlight the projected effect the proposed plan will have on the financial status of the municipality over the Medium Term Revenue and Expenditure Framework.

## 5. IMPLEMENTATION AND REVIEW OF THIS POLICY

This policy shall be implemented once approved by Council.

The policy shall be reviewed in terms of section 17(2) (e) of the MFMA.

**Date of adoption: 1 July 2015**

**Amended:**

**Amended:**