

CITY OF MATLOSANA



2% CORPORATE SOCIAL RESPONSIBILITY

2024/2025 FINANCIAL YEAR

THE CITY OF MATLOSANA:

2% CORPORATE SOCIAL RESPONSIBILITY

TABLE OF CONTENTS

NO	ITEM	PAGE NO
1	PREAMBLE	3
2	PURPOSE	3
3	ACRONYMS/ABBREVIATIONS	4
4	APPLICATION OF THIS POLICY	4
5	CITY OF MATLOSANA LOCAL MUNICIPALITY's FOCUS AREA	4
	5.1 Education	4
	5.2 Socio-economic development	4
	5.3 Sports, Recreation, Arts and Culture	4
	5.4 People living with disability	5
	5.5 Other CSR Initiatives	5
6	ESTABLISHMENT OF A CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE	5
	6.1 The responsibility of the Committee	5
	6.2 The composition of the Committee	6
	6.3 The role of the Committee	6
	6.4 Reporting to the Mayoral Committee	7
7	CSR FUNDING AND BUDGET	7
	7.1 CSR Program Funding	7
	7.2 Steps identified for funding of CSR programs and projects	7
8	APPROVAL PROCEDURE	8
9	MONITORING IMPLEMENTATION	8
10	APPLICABILITY OF THE CSR LEVY	8
	10.1 Definition of "Matlosana Based Service Provider"	8
	10.2 Advertisement of bids by The Supply Chain Management (SCM) Section	9
	10.3 Contracts/Awards to which the 2% CSR levy including 15% VAT will apply	9
11	CSR ADMINISTRATION PROCESS	10
12	VALUE-ADDED TAX ON THE 2% CORPORATE SOCIAL RESPONSIBILITY LEVY	12
13	EVALUATION, MONITORING AND REPORTING	12
14	COMMENCEMENT OF POLICY	12

1. PREAMBLE

The CSR levy safeguards accountability and commitment from those service providers that are benefiting from City of Matlosana through successful tendering to contribute towards the social responsibility of our community. City of Matlosana is committed to the highest ethical standards of good corporate governance practices that are evident in all our business processes.

King IV Report emphasizes the importance of social responsibility as being critical to good corporate governance and City of Matlosana is embracing a credible methodology by creating a CSR Fund in terms of this Policy.

Throughout the year's city of Matlosana has contributed significantly to the development of its communities and have been carrying these social responsibility costs alone. We have since devised a methodology where all service providers who have benefited from our tender processes, are contributing 2% of all payments above R 300 000 made to them to the social responsibilities of our community.

The CSR Funding may not be utilized for any Municipal Service Delivery activities or programs, strictly only for community activities and projects.

2. PURPOSE

The purpose of this policy is to ensure that all service providers who are benefiting from our tender processes, are held accountable and socially responsible to contributing to the Executive Mayor's 2% CSR Fund and passing on this benefit to the broader community of City of Matlosana.

- 2.1.** To ensure that the CFO be responsible and accountable for the allocation, safeguarding, and record-keeping of all transactions into and out of the CSR Account.
- 2.2.** To create and maintain a separate banking account for the CSR Fund.
- 2.3.** To ensure all income and expenditure from the CSR account are recorded and that monthly reconciliations are performed.
- 2.4.** To ensure that all tenders awarded to Service Providers with a rand value above R 300 000 are contributing to the 2% CSR Fund.
- 2.5.** To outline procedures to manage the CSR fund expenditure and income.

3. ACRONYMS/ABBREVIATIONS

Except if stated otherwise in this policy, the following abbreviations or acronyms will represent the following words:

“Policy”	=	Policy on 2% Corporate Social Responsibility Fund
“CSR”	=	2% Corporate Social Responsibility
“IDP”	=	Integrated Development Plan
“CoM”	=	City of Matlosana
“MM”	=	Municipal Manager
“CFO”	=	Chief Financial Officer
“EM”	=	Executive Mayor
“SCM”	=	Supply Chain Management
“VAT”	=	Value Added Tax

4. APPLICATION OF THIS POLICY

This policy applies to all Officials and Councillors of City of Matlosana and all Service Providers who have been awarded a tender through our SCM tender processes upon awarding of the tender.

5. CITY OF MATLOSANA FOCUS AREA

City of Matlosana CSR activities cover the following areas:

5.1. Education

Education is important in the development of our society, particularly the youth. CoM recognizes the critical role that education plays in the transformation of South Africa as a country and our goal is to make it possible for more and more youth to enter into tertiary education. CoM has been contributing to the funding of the education of our community by providing bursaries to the youth on an annual basis, through the Executive Mayor’s Bursary Policy.

5.2. Socio-economic development

City of Matlosana has been involved in socio-economic development throughout and some of the areas that City of Matlosana will continue to support are health and any bodily deformities, promotion of job creation, the elimination and eradication of poverty, indigence support programmes, and community safety programmes.

5.3. Sports, Recreation, Arts and Culture

Sports, Recreation, Arts and Culture is part of the soul of our country and the history of our nation, City of Matlosana recognizes this and will continue to support the arts, culture, sports, and recreational values of our community.

5.4. People living with disability

City of Matlosana 2% Social Responsibility Policy would also provide funding to procure wheelchairs, artificial limbs for the Disabled, and help in any form of funding alternations to their homes and motor vehicles, etc to the disabled persons, who is someone who has a physical or mental impairment that has a substantial and long-term adverse effect on his or her ability to carry out normal day to day activities. A person is disabled if they have a mental or physical impairment.

5.5. Other CSR Initiatives

City of Matlosana will actively identify other areas for involvement and funding depending on the nature of the needs identified and their benefit to society, especially our rural and peri-urban communities. During public participation roadshows, the Municipality will also take recommendations from local communities and businesses on worthwhile initiatives to which the CSR fund could be a benefit.

Also, the Executive Mayor of City of Matlosana may decide on any other community development social responsibility programs that he may think would benefit the community.

6. ESTABLISHMENT OF A CORPORATE SOCIAL RESPONSIBILITY (CSR)

COMMITTEE

A Committee to oversee the administration of the Fund will be established in terms of this policy when the Municipality has received any requests from the Community, or from the Executive Mayor for funding for any of the above-mentioned social responsibility activities. Every member will operate entirely unbiased and independently, and with the highest due care and skill particularly when it comes to decision making in terms of "How" and "to Whom" and "When" and "How much" will be funded by the CSR fund. No single committee member will have the authority to take a unilateral decision in terms of the spending of the CSR fund but the entire committee would decide to consider, approve and monitor all the activities funded through the CSR fund by the Municipality.

6.1. The responsibility of the Committee will include the following:

- Ensure a standing item on the Executive Mayor's IDP/Budget Roadshow so that the community is aware of the CSR Fund and what they could expect from the Fund.
- The identification of worthy causes for funding and/or support.
- The assessment of requests received for funding or support from our communities.
- Consider, approval, and funding of social responsibility projects.
- Follow-up and monitoring of projects or initiatives that have been funded.

- Ensure all CSR levies excluding the 15% VAT raised are deposited into the CSR banking account as soon as possible.
- Meeting as and when to consider and approve and monitor CSR funding when there are social responsibility activities to consider, approve, and to monitor the fund and to give consideration and recommendation on the funded CSR initiatives.
- To ensure that the municipality includes in its annual budget sufficient provision for the CSR projects for that financial year to be funded from the CSR fund.
- To ensure that the 2%CSR Funding are never to be utilized to fund service delivery projects and programs of the Municipality.
- Reporting to the Mayoral Committee of City of Matlosana on an as and when basis when payments have been made from the Fund Account.

6.2. The composition of the Committee shall be as follows:

- The MMC: Finance (Chairperson)
- The Executive Mayor or his / her Nominee,
- The MMC: Community Development Services,
- The MMC: Sports, Recreation, Arts and Culture,
- Director: Corporate Support,
- Deputy Director: Sports, Recreation, Arts and Culture,
- Director: Community Development Services
- The Chief Financial Officer
- Deputy Director: Revenue and Expenditure

6.3. The role of the Committee shall be as follows:

- 6.3.1. The CSR Committee will meet quarterly or on an *ad-hoc* basis depending on urgent project proposals to be considered.
- 6.3.2. The quorum of the Committee for meetings will be at least four members.
- 6.3.3. The Committee will consider, approve, and monitor all CSR programs/project proposals.

6.3.4. The Committee will review and adjust this funding consideration level from time to time.

6.4. Reporting to the Mayoral Committee quarterly

The role of the Executive Mayor or his / her nominee with respect to the corporate social responsibility fund will include the following:

- To ensure that City of Matlosana shows outstanding performance in the area of corporate social responsibility in line with any CSR Committee business plan and this policy.
- To submit a directive for corporate responsibility spending.
- To monitor social responsibility activities as contained in the quarterly social responsibility report.
- Decision-Making Criteria for Funding - The project proposals and/or programs selected or approved for funding by the CSR Committee must be in line with the focus areas identified above; and / or aligned with relevant Municipal legislation and City of Matlosana's corporate social responsibility strategy.

7. CSR FUNDING AND BUDGET

7.1. CSR Program Funding

7.1.1. City of Matlosana will make provision for the Corporate Social Responsibility in the budget on an annual basis to support all approved projects.

7.1.2. City of Matlosana's CSR budget will be based on and limited to the available amount in the CSR banking account and the approved proposals.

7.2. Steps identified for funding of CSR programs and projects

The funding of CSR projects approved by the CSR Committee will be funded entirely from the CSR Fund in line with the focus areas stated above and as per the proposals received from various stakeholders. The Municipality will follow the steps identified below for funding of corporate social responsibility projects and programs:

7.2.1. Proposals received from communities, individuals, or organizations, or proposals identified within the Municipality.

7.2.2. All proposals for CSR funding except those identified through public participation meetings should be submitted formally to the CSR committee through Director: Corporate Services.

8. APPROVAL PROCEDURE

- Step 1:

The Executive Mayor's / The Executive Mayor's Nominee prepares the funding proposal report according to the prescribed format and tables the Report in the Corporate Social Responsibility Committee for discussion and consideration.

- Step 2:

The CSR Committee considers, approves and / or rejects the proposal. If a proposal is rejected, the CSR Committee will record the reasons for the rejection.

- Step 3:

If a proposal is approved, the CSR Committee will allocate funds to the project after the necessary agreements have been signed with the relevant beneficiary organization or individuals.

- Step 4:

The Executive Mayor's / The Executive Mayor's Nominee will make arrangements with Budget and Treasury for the disbursement of the funds to the project and preparing a payment requisition and attaching the approved proposal, the signed minutes of the meeting of the CSR committee where the funding proposal was considered and approved, and the original invoices and quotations where applicable and any other documents that are deemed necessary in support of the payment and submit all signed. Approved Payment Requisition with all its supporting documentation to Expenditure Section for the processing and release of the payment to the respective recipients.

9. MONITORING IMPLEMENTATION

9.1. The CSR Committee continuously monitors projects that are being funded by City of Matlosana.

9.2. Director: Corporate Support is to ensure that proper reporting on the CSR project proposals and programs are made to the CSR Committee on a quarterly basis.

10. APPLICABILITY OF THE CSR LEVY

10.1. Definition of "Matlosana Based Service Provider"

The service provider from which the goods and services are being procured must be located within the City of Matlosana jurisdiction. This includes a service provider whose head office may be situated elsewhere but has established, a fully-fledged branch within this municipal jurisdiction. A copy of the rental / lease agreement and a copy of the City of Matlosana Municipal consumer service account, in the name of the service provider must be provided to the SCM Unit when a successful tender was awarded to them.

10.2. Advertisement of bids by The Supply Chain Management (SCM) Section

The Supply Chain Management (SCM) Section is obliged to ensure that all advertisements for prospective service providers and suppliers for goods or services more than R200 000 in value must specify that a 2% CSR levy including 15% VAT will be charged if the successful service provider or supplier is not a Matlosana Based Service Provider as defined in clause 10.1 above.

The SCM Section is further obliged to ensure that its tender documents contain a provision that a 2% CSR levy including 15% VAT will be charged if the successful service provider or supplier is not a Matlosana Based Service Provider as defined in clause 10.1 above.

The SCM Section will ensure that all Tenders ceded or sub-contracted to successful service providers must contribute a 2% CSR levy including 15% VAT on all payments made to them.

10.3. Contracts/Awards to which the 2% CSR levy including 15% VAT will apply

10.3.1. The payment of the 2% CSR levy, including 15% VAT will apply to all payments made in terms of contracts awarded through an official bidding process to all non- City of Matlosana based service providers and suppliers as defined in clause 10.1 above provided that the award is for procurement of goods and services more than R200 000.

10.3.2. The payment of the 2% CSR LEVY, including 15% VAT shall also apply to all contracts awarded in terms of section 36 of the SCM Policy of City of Matlosana to all non- City of Matlosana based service providers and suppliers as defined in clause 10.1 above provided that the award through deviation is for procurement of goods and services in excess of R200 000.

10.3.3. Any payments made to a service provider where a tender was ceded or sub-contracted to him/her and the service provider must contribute a 2% CSR levy including 15% VAT on all payments made to him/her.

10.3.4. It is the responsibility of the Department who requests appointment of a non-City of Matlosana based service provider in terms of Section 36 of the SCM policy of City of Matlosana to ensure that the prospective service provider is aware that a 2% CSR levy including 15% VAT will apply if they are appointed for procurement of goods and services in excess of R200 000, furthermore, the deviation report, as well as the appointment letter submitted to the Municipal Manager for approval of the appointment, should contain a recommendation for the 2% CSR levy including 15% VAT to be deducted.

11. CSR ADMINISTRATION PROCESS

11.1. The Expenditure Section requests certain (see clause 11.3 below) documents from the Supply Chain Management Section prior to processing payments to service providers appointed in terms of a tender process.

- 11.2.** Where a service provider was awarded a tender, the appointment documents listed below will indicate that a **2% CSR** levy which includes 15% VAT is to be deducted from payments to be made to that service provider.
- 11.3.** The following documents, therefore, serve as an instruction to the Expenditure Section to withhold, where applicable, the **2% CSR** levy, including 15% VAT from payments to service providers awarded tenders:
- 11.3.1. The approved Bid Adjudication (BAC) Report.
 - 11.3.2. The appointment letter.
 - 11.3.3. The signed service level agreement (SLA) where applicable.
 - 11.3.4. The signed Tender document where the tender is to be used as the Service Level Agreement (SLA).
- 11.4.** The processing of the CSR levy is done as follows for our Trade creditors:
- 11.4.1. For trade creditors processed through the Stores section, the Accountant: Creditors responsible for that creditor's account compiles a payment requisition (using a red ink pen) where the 2% CSR levy and the 15% VAT applicable on all the invoices that have been submitted by Stores Section for reconciliation and payment for a specific creditor will be captured.
 - 11.4.2. The payment requisition is captured in red pen as an instruction to the Data Capturer to Debit that creditors account and credit the Social Responsibility Fund account in the general ledger and debit the 2% CSR Levy with 15% VAT and Credit Output VAT with 15% VAT with the amount levied on the creditor.
 - 11.4.3. The reconciliation will then be compiled indicating all invoices to be paid as well as the CSR levies including 15% VAT to be deducted as captured on the system.
- 11.5.** The processing of the CSR levy is done as follows for our Sundry creditors:
- 11.5.1 The Accountant Creditor responsible for that creditor's payment requisition will add two entries (using a red ink pen) on the payment requisition for the CSR levy which includes 15% VAT to be deducted from the payment to the service provider.

- 11.5.2 The invoice details contained on the payment requisition as well as the CSR levy including 15% VAT reflected on the payment requisition will then be captured by the Data Capturer. The CSR levy including 15% VAT is captured in red ink on the requisition as an instruction to the Data Capturer to Debit that creditors account and Credit the Social Responsibility Fund account and debit the 2% CSR Levy with 15% VAT and Credit Output VAT with 15% VAT in the general ledger with the amount levied on the creditor.
- 11.5.3 Upon payment of the invoices due to a service provider to which the CSR levy applies, 2%, including 15% VAT thereof will then be withheld.
- 11.5.4 All unused CSR funds excluding 15% VAT will be invested in an interest-bearing call account by Budget & Treasury Section.
- 11.5.5 All interest received on invested funds per clause 11.5.4 or interest received on surplus funds in the CSR bank will be classified as CSR funding and will also be accounted for together with the CSR levies as prescribed in this policy.
- 11.5.6 All bank charges incurred on the CSR bank account will be accounted for as CSR expenditure and will be charged to the CSR fund account.
- 11.5.7 On a monthly basis an electronic reconciliation of the invoices received from service providers who contribute to the CSR fund is performed. The reconciliation is done to verify:
- i That 2% CSR levy including 15% VAT has been withheld from every payment where it applies,
 - ii The total CSR general ledger account balances with the CSR bank control account,
 - iii That expenditure from the CSR fund is accounted for correctly,
 - iv That interest received on CSR funds and bank charges on the CSR bank account is correctly accounted for per clauses 11.5.4, 11.5.5, and 11.5.6 above, and
 - v That a transfer is done from the City of Matlosana operational bank account to the CSR bank account to balance all amounts withheld from creditors in that month.

12. VALUE-ADDED TAX ON THE 2% CORPORATE SOCIAL RESPONSIBILITY LEVY

- 12.1.** In terms of the Value-Add Tax Act No. 89 of 1991, the 2% CSR Levy is deemed to be a taxable supply in the hands of the Municipality and therefore must be taxed at 15%.
- 12.2.** The 2% CSR Levy is, therefore, inclusive of 15% VAT.
- 12.3.** The 15% VAT must be paid over to SARS monthly.

13. EVALUATION, MONITORING, AND REPORTING

- 13.1.** Continuous evaluation, monitoring, and reporting of the CSR initiatives by the CSR Committee will provide evidence of performance, success stories, and areas requiring attention.
- 13.2.** Reporting on CSR activities will demonstrate to the Executive Mayor and other interested stakeholders the progress the Municipality has made with respect to the 2% CSR Fund that makes City of Matlosana a good corporate governance citizen for complying with this Policy. This will also allow for feedback and hence continuous improvement.
- 13.3.** City of Matlosana will not be involved in the management of the projects that the Municipality supports, however, the recipients will be expected to provide quarterly reports on overall CSR project management and implementation.
- 13.4.** A stakeholder management approach will be followed in the implementation of City of matlosana's CSR program.

14. COMMENCEMENT

This Policy takes effect on 1 July 2024.

CITY OF MATLOSANA



IRRECOVERABLE BAD DEBT POLICY

2024/2025

DRAFT

IRRECOVERABLE BAD DEBT POLICY

INDEX

	Page
1. Introduction	3
2. Definitions	3 - 4
3. Criteria for irrecoverable debt	5 - 7
4. Other cases	8 - 9
5. Clearance Certificates	9 - 10
6. Authorizations	10

1. INTRODUCTION

The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allows for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000) as amended. The Municipal Manager must provide Council with a policy and guidelines with regards to the writing off of irrecoverable debts / bad debts, owed by consumers to Council and to ensure that all outstanding amounts owing to Council can be recovered effectively and economically and are financially viable

2. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act”

The Local Government Act: Systems Act, 2003 as amended from time to time;

“Authorized Representative”

Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer”

the person appointed by Council to administer its finances regardless of the designation or title attached to the post;

“Consumer”

any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

“Council”

The municipal Council of the City of Matlosana that is responsible for the collection of funds and the provision of services to the consumers of;

"Credit control and debt collection"

Means the functions relating to the collection of any monies due and payable to the Council;

"Defaulter"

A consumer who owes money to the Council after the due date has expired;

"Households"

All matured persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

"Municipal account"

Shall include levies or charges in respect of the following services and taxes:

1. electricity basic charges
2. electricity consumption,
3. housing rentals and instalments
4. interest and/or surcharges
5. miscellaneous and sundry charges
6. property rates,
7. refuse removal,
8. sewerage services (Basic and Additional Charges)
9. water basic charges,
10. water consumption,
11. VAT – Value added tax as determined by the VAT Act

"Municipal Manager"

The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) as amended and include any person acting in that position or to whom authority was delegated;

"Property"

Any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

3. CRITERIA FOR IRRECOVERABLE DEBT

Debt will only be considered as irrecoverable if it complies with the following criteria provided there is sufficient provision for bad debt. The Chief Financial Officer shall write off any revenue which is irrecoverable or the recovery of that which is considered not to be reasonably practicable

- 3.1. If contradictory to Councils Standard Financial By-Laws, Section 12
- 3.2. All reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount. However, in special cases where the requirements in terms of Council's Credit Control and Debt Collection Policy are impractical, the administration must motivate which other remedies were applied or actioned; or
- 3.3. any amount equal to or less than R1 000 or as determined by Councils Customer Care, Debt Collection and Credit Control Policy from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it can be written off without submission to Council; or
- 3.4. debt on an account which comprises of only interest
- 3.5. the cost to recover the debt does not warrant further action; or
- 3.6. the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
- 3.7. there is a danger of a contribution;
- 3.8. no dividend will accrue to creditors; or
- 3.9. a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
- 3.10. In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate or if an estate has no income or has not been registered and the death can be proved by any means, any amount not being recovered due to insufficient funds be written off.
- 3.11. it has been proven that the debt has prescribed; or
- 3.12. the debtor is untraceable or cannot be identified so as to proceed with further action;
or

- 3.13. the debtor has emigrated leaving no assets of value to cost effectively recover Councils claims;
- 3.14. it is not possible to prove the debt outstanding; or
- 3.15. a court has ruled that the claim is not recoverable; or
- 3.16. the outstanding amount is due to an irreconcilable administrative error by the Council; or
expenditure incurred, in respect of internal accounts raised in the name of the City of Matlosana, in any previous financial year; or
If an offer of full and final settlement is confirmed in writing by the City Manager in terms of the City of Matlosana: Credit Control and Debt Collection By-law; or
- 3.17. all arrears may be written off to bad debts where Council-
 - 3.17.1. expropriates any property; or
 - 3.17.2. purchases any property in terms of item Section 4 of this policy
- 3.18. all arrears may be written off to bad debts where a property has been forfeited to the State in terms of the Prevention of Organized Crime Act 121 of 1998; or
- 3.19. where the occupiers have been evicted from Council, Provincial or State properties due to criminal activities; or
- 3.20. through supporting the City's housing related debt management processes and in instances where a housing debtor has applied for and been granted a housing indigent grant in terms of the Housing Indigent Policy, All debt related to that property for that debtor (excluding capital debt of home ownership units), up to the date of granting of indigent status will be written back. Such write back will occur only once for any debtor, thereby allowing for a once off rehabilitation, where after the debtor will immediately be subject to the Customer Care, Credit Control & Debt Collection policy should the account again fall into arrears; or
- 3.21. where the Housing advises the Chief Financial Officer that a housing debtor has been granted a housing indigent grant such debtors rates, services and sundry debt related to that property for that debtor shall be written off once; or
- 3.22. should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable

- with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 3.23. should the Municipal Manager become aware that the focus of an organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 3.24. Where registered non-profit organizations or public benefit organizations would, except for being in arrears on their Municipal accounts, qualify to receive a rates rebate, in terms of the Rates Policy, will, with effect from the date of qualification, have all their arrears written off, thus ensuring that they meet all the criteria to receive the rates rebate and;
- 3.24.1. this assistance will only be granted once to an organization subject to the condition that an electricity prepayment meter must be installed at the organizations cost, where applicable;
- 3.24.2. should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 3.25. should the Municipal Manager become aware that the focus of the organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 3.26. Arrears on closed tenant accounts which have debt which exceeds 1,080 days (3 years) and cannot be linked to an account on Councils financial system, not exceeding R500 on the account may be written off with approval of the Chief Financial Officer. Any amount exceeding R500 must be submitted to Council for approval to write off.

3.27. Irrecoverable debt of registered indigent consumers will be written off on a once off basis by Council subject to the stipulations in the Indigent policy.

4. OTHER CASES

4.1. Housing

The allocation of stands and or houses (low cost) with State or Council associated funds by the applicable directorate, has in some instances resulted in debt being raised and carried on Council's Financial system in the name of the intended beneficiary as per Council's records, but who never took occupation of the property for one or more of the reasons that follows herein after or for a dispute that arose and can reasonably be motivated by the applicable Director or his/her delegated official.

- 4.1.1. Occupation taken by illegal occupants
- 4.1.2. Failure to have informed the intended beneficiary
- 4.1.3. Failure of beneficiary to take occupation of the property due to the fact that the beneficiary cannot be traced
- 4.1.4. Alteration of allocation not effected in council's records

4.2. The following scenarios are reflected;

All scenarios are subject to the conditions reflected in paragraph 1 above and are the responsibility of the Housing Manager

- 4.2.1. Where a debtor is untraceable or cannot be identified to proceed with further action, the Housing Manager or his delegate shall accordingly inform the CFO for possible write off and the delegated housing official shall re allocate the stand to a new occupant.
- 4.2.2. On all residential permits issued for the historical townships, it is clearly stipulated that the allocated person shall take occupation or develop the site within three months from the date of signature of that permit. All such abandoned stands shall be identified and be reallocated by

the delegated housing official on a “Voetstoots” basis and shall be approved by the Housing Manager or his delegate.

4.2.3. That all such privately owned properties be identified and be immediately handed over to Council’s panel of attorneys for collection. When all legal avenues have been exhausted and amounts owed cannot be recovered, such cases be referred to the relevant Court for possible attachment of that immovable property.

4.2.4. In case of death of the debtor, a creditor’s claim must be timeously registered against the deceased’s estate, failing which the property be handed over for collection. (Estate). Such properties may ultimately be deregistered and shall revert back to Council.

4.2.5. That all cases where the estate (next of kin) is indigent and cannot afford the transfer costs from the deceased, Council seek funding either internally, or externally to resolve this challenge and that Council writes off the amounts due by the deceased.

5. CLEARANCE CERTIFICATES

5.1. In terms of the Local Government Municipal Systems Act of 2000 as amended, section 118, the Council will under normal circumstances not issue a clearance certificate on any property unless all outstanding amounts are paid to date. However due to the potential lack of resources of Council to implement its credit control policy, it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the new owner to pay such an amount in order to obtain a clearance certificate.

5.2. Where such circumstances may prevail the prospective new owner may apply to the Council for relief of such outstanding debt or a portion thereof.

5.3. Such application must be submitted to the Chief Financial Officer for consideration. In reviewing such application, the Chief Financial Officer must ensure that;

- 5.3.1. Reasonable measures have already been taken to recover the outstanding amount from the current debtor.
- 5.3.2. The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.
- 5.4. It is not in the interest of the Council and/ or the community to withhold a clearance certificate before the outstanding debt is fully paid
- 5.5. Meritorious Cases

Notwithstanding the framework provided in this policy for the writing off of irrecoverable debt, Council mandates the CFO or his / her delegate to consider and recommend to Council meritorious cases and provide reasons for same.

6. AUTHORIZATIONS

- 6.1. The Chief Financial Officer or his delegated person as a delegated authority may approve debt below R1 000 as stipulated in point 3.3. for writing off.
- 6.2. debt on an account which comprises of only interest may be written off by the Chief Financial Officer or his delegated person as a delegated authority, due to the fact that there is no capital amount outstanding
- 6.3. In respect of other debt above R1 000, schedules indicating the debtor account number, debtors name and physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled and submitted to Council for approval as irrecoverable debt and writing off.
- 6.4. Notwithstanding the above, the Municipality or its authorized officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.

CITY OF MATLOSANA



CUSTOMER CARE, CREDIT CONTROL & DEBT COLLECTION POLICY

2024 / 2025

PREAMBLE

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended requires a Council to adopt, maintain and implement a credit control and debt collection and customer care policy;

AND WHEREAS section 97 of the Systems Act as amended, prescribes what such policy must provide for;

AND WHEREAS Municipalities are required in certain circumstances to comply with the National Credit Act No. 34 of 2005 as amended;

NOW THEREFORE the Municipal Council of the City of Matlosana adopts the policies as set out in this document.

TABLE OF CONTENTS

ARRANGEMENT OF SECTIONS	PAGE
CHAPTER 1: DEFINITIONS	6-11
CHAPTER 2: GENERAL OBJECTIVES AND PRINCIPLES	11-13
CHAPTER 3: DUTIES AND FUNCTIONS	13-16
CHAPTER 4: PERFORMANCE EVALUATION AND REPORTING	16-18
CHAPTER 5: CUSTOMER CARE POLICY	18-36
CHAPTER 6: CREDIT CONTROL AND DEBT COLLECTION POLICY	37-67

TABLE OF CONTENTS

<u>ARRANGEMENT OF SECTIONS</u>	<u>PAGE</u>
CHAPTER 1	6
INTERPRETATION	6
1. Definitions	6
CHAPTER 2	11
GENERAL OBJECTIVES AND PRINCIPLES	11
2. General Objectives	11
3. Principles	12
CHAPTER 3	13
DUTIES AND FUNCTIONS	13
4. Duties and Functions of Council	13
5. Duties and Functions of Councillors	14
6. Duties and Functions of Executive Mayor	14
7. Duties and Functions of the Municipal Manager	14
8. Duties and Functions of Communities, Ratepayers and Residents	15
CHAPTER 4	16
PERFORMANCE EVALUATION AND REPORTING	16
9. Objective	16
10. Income Collection Targets	16
11. Consumer Service Targets	16
12. Administrative Performance	17
13. Reporting	18
CHAPTER 5	18
CUSTOMER CARE POLICY	18
14. Objective	18
15. Communication	19
16. Metering	19
17. Accounts and Billing	20
19. Payment Facilities and Methods	22
20. Incentives for Prompt Payment	23
21. Enquiries, Appeals and Service Complaints	24
22. Consumer Assistance Programmes	24
26. Consumer Categories	36
CHAPTER 6	36-67
CREDIT CONTROL AND DEBT COLLECTION POLICY	37
27. Background	37

28. Credit Control Objectives	37
29. Factors that affect the Implementation of a Full Credit Control System	37
30. Credit Control Principles	37-38
31. Necessity for Credit Control	38
32. Debt Collection Responsibility of Municipalities	38-39
33. Contents of Policy	39-40
34. Supervisory Authority	40
35. Implementing Authority	41
36. Roles and Responsibilities	41
37. Service Application and Agreements	41-43
38. Dissolving of Tenants Accounts	44
39. Right of Access to Premises	45
40. Enforcement Mechanisms	45-46
41. Theft and Fraud	46-49
42. Consumer screening and securities	49-50
43. Persons and Business Who Tender to the Council	50
44. Debt Management – Credit Control and Debt Collection	51
45. Personal contact	51-52
46. Legal Process/Use of Attorneys/Use of Credit Bureau	52-53
47. Rates clearance	53-55
48. Cost of Collection	56
49. The Pre-Payment Meter System	56-57
50. Abandonment of Claims	57
51. Code of Conduct	57
52. Responsibility for Amounts Due	57-58
53. Queries, Verifications, Objections or Disputes	59-60
54. Objections	61
55. Disputes	61-62
Dispute Form	63-65
Service Application Form	66-67

CHAPTER 1

INTERPRETATION

1. Definitions

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act” - The Local Government Act: Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;

“Acknowledgement of debt” - means an admission of liability and written undertaking by a debtor to repay an amount owing to the Municipality, and includes a consent to judgement contemplated in section 58 of the Magistrates Court Act, 1944 (Act No. 32 of 1944)as amended;

“Arrears” - means any amount which is due, owing and payable and which remains unpaid by the due date;

“Authorized Representative” - Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer” - the person appointed by Council to administer its finances regardless of the designation or title attached to the post; or the person delegated by the Chief Financial Officer

“CFO” - means a person employed by the Municipality in terms of section 56 of the Systems Act as amended the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the municipal manager in terms of section 79 of the Municipal Finance Management Act as amended and section 59 of the Systems Act as amended;

“Consumer” - any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

“Council” -the municipal Council of the City of Matlosana;

“Credit control and debt collection” - means the functions relating to the collection of unpaid debt payable to the Council and the restructuring of such debt;

“Crèche” – a school for minor children up to the age of six years old

“Defaulter” - a consumer who owes money to the Council after the due date has expired;

“Delegated Person” – any person empowered or nominated by the Municipal Manager or Chief Financial Officer to effect the duties as set out in this policy

“Domestic user” - means a user of electricity, solar electricity, water or borehole water, sewerage or refuse removal for residential purposes only.

“Equipment” - a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

“Households” - persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

“illegal connection” means any connection or reconnection to a system through which municipal services are provided, where such connection or reconnection was not authorized or approved by the Municipality;

“Interest” - a charge levied, with the same legal priority as service charges, on arrear amounts calculated at a standard rate equal to an interest rate of 15% per annum.

“Council” - the institution that is responsible for the collection of funds and the provision of services to the consumers of;

“Municipal account” - shall include levies or charges in respect of the following services and taxes:

1. Electricity basic charges as approved by NERSA,
2. Electricity consumption as approved by NERSA,
3. Housing rentals and instalments,
4. Interest and/or surcharges,
5. Miscellaneous and sundry charges
6. Property Rates,
7. Refuse removal,
8. Sewerage services, Basic
9. Sewerage services, Additional
10. Water basic charges
11. Water consumption,

“Municipal Manager” - the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) as amended and include any person acting in that position or to whom authority was delegated;

“municipal services” - those services provided by the Council, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

“NERSA”- National Energy Regulator of South Africa

“Occupier” - any person, who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property,

“Official business language” - English

“Owner” –

1. The person in whose name the property is legally vested;
2. In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, usufructuary, servitude holder or any other legal representative;
3. In the case where the Council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
4. In the case of a lease agreement in excess of 30 years was entered into, then the lessee;
5. Regarding:
 - 5.1. a portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 (Act 95 of 1986), as amended, without limiting it to the developer or managing body to the communal property;
 - 5.2. a portion as defined in the Sectional Title Act, the person in whose name that portion is registered to in terms of a “sectional title, including the legally appointed representative of such person;
6. Any legal entity including but not limited to:
 - 6.1. a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust inter vivo, trust mortis causa, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act 69 of 1984) and any voluntary organisation;
 - 6.2. any provincial or national government department, local authority;
 - 6.3. Any Council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
 - 6.4. Any embassy or other foreign entity.

7. owned by a Council and which has been disposed of, but which has not been transferred to the person to whom it has been disposed of, from the date of the disposition concerned, such person; and
8. owned by or under the control or management of a Council while held under a lease or any express or tacit extension thereof or under any other contract or under servitude or right analogous thereto, the person so holding the immovable property.

“Property” - any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

“School” – a school as defined in terms of the South Africans Schools Act, 84 of 1996 as amended, and includes all private, public and government schools registered with the Department of Education

"Deposit" - means a monetary amount raised by the Municipality in relation to the consumption of a municipal service and mitigation of credit risk to the Municipality, irrespective of the existence of an agreement;

"disconnection" means a termination or restriction of a municipal service supplied to a meter; "illegal connection" means any connection or reconnection to a system through which municipal services are provided, where such connection or reconnection was not authorised or approved by the Municipality;

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

"Rates" means a municipal rate on property envisaged in section 229(1) (a) of the Constitution levied by the Municipality in terms of the Rates Act;

"Rates Act" means the Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004), as amended;

"Sundry charge" means an amount charged to a person which is not directly linked to a property or premises, and which includes but is not limited to—

- (a) Charges arising from damages to municipal property and equipment;
- (b) Monies owed for municipal services other than rates, water, electricity and sanitation;
- (c) Monies awarded to the Municipality through court orders and judgments;
- (d) Fines; and
- (e) Monies owed to the Municipality by municipal staff.

“**VAT**” means value added tax, which is an indirect tax on the consumption of goods and services in the economy as determined by the government and payable to the government

CHAPTER 2

GENERAL OBJECTIVES AND PRINCIPLES

2. General Objectives

2.1. The objectives of this policy are to: -

2.1.1. provide a framework where the Council can exercise its executive and legislative authority with regard to credit control and debt collection;

2.1.2. ensure that all monies due and payable to the Council are collected and used to deliver services in the best interests of the community, residents and consumers and in a financially sustainable manner;

2.1.3. provide a framework for customer care and indigent support;

2.1.4. describe credit control measures and sequence of events;

2.1.5. outline debt collection and credit control procedures and mechanisms; and

2.1.6. set realistic targets for credit control and debt collection;

2.1.7. comply with NCA (National credit Act) where applicable

2.2. All internal communications should be in the official business language.

3. Principles

- 3.1. The administrative integrity of the Council must be maintained at all costs. The democratically elected Councillors are responsible for policy making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 3.2. All consumers must complete an official application form, formally requesting the Council to connect them to service supply lines. The most important rights and obligations of the consumer and Council must be included in the service application form.
- 3.3. A copy of the application form, conditions of services and extracts of the relevant Council's customer care, credit control and debt collection policy and by-laws must be handed to every consumer on request.
- 3.4. Billing is to be accurate, timeous, and understandable.
- 3.5. The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.6. The consumer is entitled to efficient, effective, and reasonable responses to enquiries and appeals, and should suffer no disadvantage during the processing of such requests.
- 3.7. Enforcement of payment must be prompt, consistent, and effective.
- 3.8. Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 3.9. Incentives and disincentives may be used in collection procedures.
- 3.10. The collection process must be cost-effective.
- 3.11. Results will be regularly and efficiently reported and monitored.
- 3.12. Application forms will be used to, *inter alia*, categorise consumers according to credit risk and to determine relevant levels of services and deposits required.
- 3.13. The Municipality may appropriate a customers' deposit on any account related to that customer due to unpaid services and thereafter the consumer is liable for the payment of a new deposit amounting to twice the monthly consumption on said account. A new service agreement must also be entered into with the Municipality

- 3.14. Targets for performance in both consumer service and debt collection will be set and
- 3.15. Where practically possible the debt collection and customer care policies would be handled independently of each other and the organisational structure will reflect the separate functions.
- 3.16. Consumers that meet Council's indigent criteria must be identified and supported but must take note that their indigent status will be listed for ITC purposes.
- 3.17. Any consumer who falls into arrears and fails to react to any of the measures in this policy, may be listed at an institution where consumer credit activities are monitored and recorded for credit purposes

CHAPTER 3

DUTIES AND FUNCTIONS

4. Duties and Functions of Council

- 4.1. To approve a budget consistent with Council's Integrated Development Plan.
- 4.2. To impose rates and service charges to finance the budget.
- 4.3. To facilitate sufficient funds to give access to basic services for the poor.
- 4.4. To provide for a bad debt provision, in line with the payment record of consumers as reflected in the financial statements of the Council.
- 4.5. To set an improvement target for debt collection, in line with acceptable accounting ratios and resources available to the Municipal Manager.
- 4.6. To approve a reporting framework for customer care, credit control and debt collection.
- 4.7. To consider and approve by-laws to give effect to the Council's policy.
- 4.8. To revise the budget should Council's targets for customer care, credit control and debt collection not be met.
- 4.9. To take disciplinary actions against Councillors, officials and agents who do not execute Council policies and by-laws, or act improperly in terms of such policies and by-laws.
- 4.10. To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.

- 4.11. To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy and by-law to the Executive Mayor and Municipal Manager.
- 4.12. To provide sufficient capacity in the Council's Financial Directorate for customer care, credit control and debt collection. Alternatively, to appoint a Service Provider, or debt collection agent.
- 4.13. To assist the Municipal Manager in the execution of his duties, if and when required.
- 4.14. To provide funds for the training of staff.

5. Duties and Functions of Councillors

- 5.1. Ward Councillors play a vital role in the current dispensation to Communicate the expectations of consumers in a specific ward to Council as well as the service departments or unit
- 5.2. The Ward Councillor is also directly responsible to ensure that Communication is forwarded to consumers in respect of this policy and to further ensure that consumers are paying for services received
- 5.3. The councillors will actively promote payment services rendered to the consumers in their respective wards and strive to create a culture of payment for services through ward committee members.
- 5.4. To adhere to the Code of Conduct for Councillors.
- 5.5. To give inputs regarding indigent applications.

6. Duties and Functions of Executive Mayor

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

7. Duties and Functions of the Municipal Manager

- 7.1. To implement good customer care management systems.

- 7.2. To implement Council's customer care, credit control and debt collection policy.
- 7.3. To install and maintain appropriate accounting and credit control systems.
- 7.4. To bill consumers.
- 7.5. To demand payment on due dates.
- 7.6. To raise interest and collection fees for payment defaults.
- 7.7. To appropriate payments received.
- 7.8. To collect outstanding debt.
- 7.9. To provide different payment methods.
- 7.10. To determine customer care, credit control and debt collection measures.
- 7.11. To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 7.12. To instruct attorneys to proceed with legal processes.
- 7.13. To set performance targets for staff.
- 7.14. To appoint staff to execute Council's policy and by-laws in accordance with Council's appointment policy.
- 7.15. To delegate certain functions to the Chief Financial Officer or Heads of departments.
- 7.16. To determine control procedures.
- 7.17. To monitor contracts with Service Providers in connection with credit control and debt collection.
- 7.18. To report to the Executive Mayor.

8. Duties and Functions of Communities, Ratepayers and Residents

- 8.1. To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 8.2. To pay service fees, rates on property and other taxes, levies and duties imposed by the Council on or before the due date.
- 8.3. To obtain a duplicate account at the municipal help desk if an account is not delivered during the normal billing cycle.
- 8.4. To notify the Council when services are no longer required at a particular service delivery point and of address changes.
- 8.5. To safeguard and maintain service meters in a readable condition.

- 8.6. To observe the mechanisms and processes of the Council in exercising their rights.
- 8.7. To allow municipal officials reasonable access to their property to execute municipal functions.
- 8.8. To comply with the by-laws and other legislation of the Council.
- 8.9. To refrain from tampering with municipal services and property.
- 8.10. To maintain credit and pre-payment meters.

CHAPTER 4

PERFORMANCE EVALUATION AND REPORTING

9. Objective

The municipal Council in consultation with the municipal manager must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate performances and take corrective actions on an regular basis to enhance credit control and debt collection

10. Income Collection Targets

Council to create targets that include:

Reduction in present monthly increase in debt in line with performance agreements determined by Council from time to time as determined in Councils SDBIP.

11. Consumer Service Targets

The Consumer targets as identified are as follows:

- 11.1. Response time to customer queries: Initial response within 10 working Days
- 11.2. Resolution of Queries/Disputes: 45 working days to resolve queries / disputes and appeals.
- 11.3. Date of first account delivery for new consumers: By second billing cycle after date of application or occupation

whichever is the latest.

- 11.4. Reconnection time: Within 24 hours after appropriate payment / arrangement has been made at our offices, or proof of payment made at other institutions faxed or emailed to our offices.
- 11.5. Meter reading cycle:
- 11.5.1. 100% of meters being read on a monthly basis on a similar date with a maximum of 6 consecutive months estimated.
 - 11.5.2. Where a meter has a technical problem, Council may utilise previous periods as determined in Councils Tariff Policy to determine the average usage
- 11.6. Indigent application: Within the 2nd billing cycle response for approval or disapproval, as well as provision of subsidy.

12. Administrative Performance

Council to create targets that will include:

12.1. Cost efficiency of debt collection.

- 12.1.1. Cost of collection not to exceed the capital debt amount;
- 12.1.2. All reasonable steps to be taken to limit cost to Council or the customer;
- 12.1.3. Cost of collection is to be recovered from the defaulting customers;

12.2. Query and appeal periods according to this policy.

13. Reporting

13.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

13.1.1. Cash collection statistics, showing high-level debt recovery information (numbers of consumers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

13.1.2. Performance of all areas against targets agreed to in item 10 of this policy document.

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

13.3. The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act as amended.

CHAPTER 5

CUSTOMER CARE POLICY

14. Objective

To focus on the client's need in a responsible and pro-active way, to enhance the payment of services and to create a positive and cooperative relationship

between the persons responsible for the payment of services received, and the Council, and where applicable, any service provider.

15. Communication

- 15.1. The Council will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget to the public where possible.
- 15.2. Council's Customer care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in English and will be made available by general publication and on specific request, and will be available for perusal at Council's offices.
- 15.3. Council will endeavour to distribute a regular newsletter when possible, which will give prominence to customer care and debt issues.
- 15.4. Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.
- 15.5. The press will be encouraged to give prominence to Council's Customer care, Credit control, and Debt Collection policies, and will be invited to Council or Committee meetings where these are discussed.

16. Metering

- 16.1. The Council will endeavour, within practical and financial limits, to provide meters to every paying consumer for all services.
- 16.2. All meters will be read monthly, if possible. If the meter is not read monthly the Council will estimate the consumption in terms of Council's operational procedures;
- 16.3. Consumers are entitled to request verification of meter readings and accuracy within reason, but will be held liable for the cost thereof.
- 16.4. Consumers will be informed of meter replacements.
- 16.5. Basis of Estimation of Meter Readings;
 - 16.5.1. If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Council or its authorised agent, the consumer is charged for an estimated consumption on the account following the reading of the metered

consumption, which must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

- 16.5.2. The estimates must be based on the 2 to 6 months preceding the last date on which the meter was found to be registering correctly, or on the 2 to 6 months following the date from which the meter was again registering correctly.
- 16.6. In case where council does not have access to the meters that are inbound and an average has been taken by Council, it is the consumer's responsibility to submit a clear photo of the readings with the date imprinted thereon on which the photo was taken to Council should they dispute the averages levied.
- 16.7. boreholes will only be recognized as a water supply with a written letter of recommendation from the Water Engineering Section, that the municipal supply has been discontinued.
- 16.8. Solar energy will only be recognized as an electricity supply with a written letter of recommendation from the Electrical Engineering Section, that the municipal supply has been discontinued.

17. Accounts and Billing

- 17.1. Consumers on the billing system will receive an understandable and accurate bill from the Council, which bill will consolidate all service costs for that property.
- 17.2. Accounts will be produced in accordance with the meter reading cycle and due dates being the 7th of each month will be linked to the statement date.
- 17.3. Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the Council or its authorised agent.
- 17.4. It is the consumer's responsibility to ensure that postal address and other contact details are correct.
- 17.5. It is the consumer's responsibility to make enquiries and ensure timeous payments in the event of accounts not received.
- 17.6. Settlement or due dates will be as indicated on the statement.
- 17.7. Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

- 17.8. Where any payment made to the Council or its authorised representative by negotiable instrument is later dishonoured by a bank, the Council, or its authorised agent:
- 17.8.1. May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the consumer.
 - 17.8.2. Shall regard such an event as a default on payment, disconnect/restrict services, and levy the relevant costs thereof against the consumers account.
 - 17.8.3. May insist on cash payments for all future accounts.
- 17.9. The Council or its authorised agent must, if administratively possible, issue a duplicate account or any acceptable alternative to a consumer on request and the applicable fee in the tariff structure be paid by the consumer to Council.
- 17.10. Accounts will be processed and posted by the last day of each month.
- 17.11. Consumers may request electronic accounts per email at no cost to the consumer, but should the consumer request an electronic account plus a hard copy of the account be then the applicable tariff in the tariff structure will be levied.

18. REFUNDS

- 18.1. Any account holder may apply in the prescribed manner for a refund on any credit balance on their account.
- 18.2. The refund application will be considered and verified by the municipality in terms of its internal procedures.
- 18.3. The municipality reserves the right to periodically determine a bottom threshold for when it is entitled to decline to issue a refund where the cost and administrative burden of issuing the refund is out of balance with the amount to be refunded. The bottom threshold refund amount will be R100.00.
- 18.4. The municipality may at its discretion use any payment method when paying a refund to an account holder.
- 18.5. Any arrears on any account of the account holder requesting or entitled to a refund may be set off against any credit balance due to

that account holder on any of his accounts before the refund is affected.

18.6. There is an obligation on all account holders to ensure that their contact details on the municipality's system are correct and updated at all times.

18.7. The municipality shall be entitled to write back or appropriate any unclaimed money arising from a credit balance of an account holder account, if such amount is not claimed by the account holder within a year from the date when it became due to him or her.

19. Payment Facilities and Methods

19.1. The Council will operate and maintain suitable payment facilities, which will be accessible to all users.

19.2. Direct payments or electronic payments can be made into the bank account of the City of Matlosana, ABSA Bank, OR Tambo Street, Account no. 01000100176, Branch code 632005. The consumer must state the account number as reference on the deposit slip. It is important that the deposit slip, together with a breakdown of the amount be faxed to the Council at (018) 464 2318 without delay. Four (4) official business days must be allowed for processing.

19.3. The Council will, at its discretion, allocate a payment between service debts and a consumer who has overdue debt, may not specify that the payment be for a specific portion of the account.

19.4. The Council may in terms of section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement.

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

19.6. Any direct deposits without the relevant details or reference may be refused by Council via the bank or be confiscated by Council if not claimed within a year

20. Incentives for Prompt Payment

20.1. During the budget process Council may, to encourage prompt payment and/or to reward regular payers, consider from time-to-time incentives for the prompt payment of accounts or payment by debit or stop order.

20.1.1. Where a consumer is prepared to pay off the capital amount on an outstanding account in one payment, then Council will write back all interest charged, warning fees, disconnection fees, and legal costs. Interest is charged at 15% annually on all arrears debt.

20.1.2. Interest and other debt collection fees may also be reversed under the following circumstances:

20.1.2.1. if the Municipality has made an administrative error on the account.

20.1.2.2. where an owner takes over the debts of the tenant/s and

20.1.2.3. where the Chief Financial Officer or delegated person approves such reversal due to the fact that the only amount owing on the account comprises of interest or debt collection fees or sundry fees.

20.1.3. That 5% discount of their monthly service account, excluding Property Rates be awarded to the undermentioned, who timeously pay their account or arrears in full where applicable.

20.1.3.1. Schools as per the definition of the Schools Act 84 of 1996 as amended and registered as such with the Department of Education. Principals' dwellings and Hostels on the school's property are excluded.

20.1.3.2. Crèches as per definition in this policy, registered with the Department of Education

20.1.3.3. Registered Public Benefit Organizations, e.g. Trieste Daphne Lee, Adonai, Huis Servaas etc.

20.1.3.4. Registered Church Organizations.

20.1.4. An institution, who allows its outstanding debt to escalate to 60 days, will not be granted this incentive.

20.1.5. The cost associated with the other schemes, if introduced, will be reflected in annual budgets as additional expenditure, besides the point above.

21. Enquiries, Appeals and Service Complaints

- 20.1. Within its administration and financial ability, the Council will establish:
- 20.1.1. Central complaints/feedback office;
 - 20.1.2. A centralized complaints database to enhance co-ordination of complaints, their speedy resolution, and effective communication with consumers.
 - 20.1.3. Appropriate training for officials dealing with the public to enhance communications and service delivery; and
 - 20.1.4. A communication mechanism to give Council feedback on the application of the policies on customer care and management, credit control and debt collection and other issues of concern.
 - 20.1.5. If a consumer is convinced that his or her account is inaccurate, he or she can lodge a query with the Council for investigation of this account, and where necessary the relevant adjustments will be affected.
- 21.2. In the interim, the debtor must pay the average of the last three months' accounts where such history of the account is available. Where no such history is available, the debtor must pay without prejudice of rights an estimate provided by the Council before payment due date until the matter is resolved.
- 21.3. The relevant department will investigate and inform the debtor within one month of the outcome of the investigation.
- 21.4. Failure to make such agreed interim payment or payments will result in the consumer forming part of the normal credit control procedures.
- 21.5. A consumer may appeal against the finding of the Council or its authorized agent in terms of clause 20(2).
- 21.6. An appeal in terms of clause 20(6) must be made and lodged with the Council within 21 (twenty-one) days after the consumer became aware of the finding and must:
- 21.7. Set out the reasons for the appeal.
 - 21.8. Pay any amount determined for the testing of a measuring device, if applicable.

22. Consumer Assistance Programmes

22.1. Water leakages

22.1.1. The consumer has the responsibility to control and monitor his/her water consumption to the property.

22.1.2. In cases of undetected water leakages on private property, the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the “over-consumption” or “leak” be paid at a fixed charge based on the second category of the sliding scale of the water tariffs, for the months (maximum three) in question, or at the tariff as calculated by the CFO at the time, subject to the provision of proof by the resident regarding:

22.1.2.1. The date on which the leak was first detected.

22.1.2.2. Steps taken by the resident to stop the leak.

22.1.2.3. The leak has actually stopped – investigation and confirmation by Council’s official.

22.1.3. Following proof of the above, it should fall within the parameters of.

22.1.3.1. the leak being repaired within five working days of detection

22.1.3.2. the leak did not last for longer than three (3) months from start to end.

22.2. Property Rates Rebates

Subject to certain criteria, the municipal Council may grant property rates rebates annually to certain categories of ratepayers in accordance to the Council’s property rates policy and by-law.

22.3. Arrangements and Extensions of Time for Payment

22.3.1. Arrangements

If a customer cannot pay his/her account with the Council, then the Council may enter into an extended term of payment with the customer according to the applicable category of the customer. Consumers who default on two payments in respect of the arrangement made, will be denied the privilege of continuing with the

arrangement and the full amount becomes payable. The customer must:

- 22.3.1.1. Sign an acknowledgement of debt;
- 22.3.1.2. Sign a consent to judgement;
- 22.3.1.3. Provide a garnishee order/emolument order/stop order (if he or she is employed);
- 22.3.1.4. Acknowledge that interest will be charged at the prescribed rate should the arrangement be dishonoured;
- 22.3.1.5. Pay the current portion and the proposed arrangement amount of the account;
- 22.3.1.6. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible, and that disconnection / restriction of water and electricity will follow immediately, as will legal proceedings.
- 22.3.1.7. Only one arrangement may be concluded between the Council and the consumer debtor.
- 22.3.1.8. Acknowledge liability of all costs incurred.
- 22.3.1.9. Prove levels of income and make reasonable payment of arrears based on the ability to pay.
- 22.3.1.10. Interest on arrears in respect of all services and rates will be suspended whilst the debtor adheres to the conditions of the arrangement.
- 22.3.1.11. Consumers may make arrangements on behalf of the owner, but must then accept full liability for the outstanding amount of the owner and should provide Council with a letter, authorising the arrangement, from the owner or letting agency
- 22.3.1.12. Acknowledge and accept the following conditions with regards to debtors be applicable:

22.4. CATEGORIES OF DEBTORS

- 22.4.1. Interest on arrears in respect of all services and rates on arrangements will be suspended whilst the debtor adheres to the

conditions of the arrangement, which must be paid promptly on the due date on a monthly basis. No new arrangements are allowed unless any previous arrangements have been paid in full or unless for special reasons claimed. Should any arrangement default then the arrangement will be cancelled and the full outstanding amount will be payable.

- 22.4.2. Debts and arrangements to repay debts shall be treated holistically, but different repayment periods may be determined for different types of service, debtors, or areas within the general rule that repayment periods should be in sympathy with the instalments that the debtor can afford.
- 22.4.3. Consumers who are utilising electrical conventional meters, who default on their arrangements, may be enforced to install prepaid electrical or prepaid water meters at their own cost, when available. Council will install such meters and the costs be paid immediately by the consumers before reconnection / unrestricting.
- 22.4.4. Consumers should make arrangements for arrears payment in such a manner that he/she will be able to honour these arrangements for outstanding debt plus the monthly current amount which should be paid in full on the due date. The following guidelines are stipulated.
- 22.4.5. Any deviations on this policy may only made by the Chief Financial Officer or his designated officials.

22.5. SOCIAL ASSESSMENT

Debts and arrangements to repay debts shall be treated holistically, but different repayment periods may be determined for different types of service, debtors or areas within the general rule that repayment periods should be in sympathy with the instalments that the debtor can afford in order to settle the arrears over a reasonable period in terms of the Customer Care, Credit Control and Debt Collection Policy. Any deviations on this policy may only made by the Chief Financial Officer or his designated officials.

22.6. Household and Business Customers Arrangements

Household Arrangements

- 22.6.1. One of the key objectives of debt collection is to encourage customers to start paying their monthly accounts in full. In addition, it is also necessary to ensure that arrear debt is addressed. The current average balances on customer accounts necessitate that innovative ideas be implemented to encourage customers to pay off their arrears. At the same time, it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.
- 22.6.2. The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis. At the date of the arrangement a minimum of 30% of the capital arrear debt must be paid immediately for residential customers". The Chief Financial Officer or his delegated person/s may approve the minimum amount less than 30%.
- 22.6.3. A customer must enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions: -
- 22.6.3.1. The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments as determined by Council.
 - 22.6.3.2. The current monthly amount must be paid in full; and
 - 22.6.3.3. The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.
 - 22.6.3.4. The agreement will be compliant with the requirements of the National Credit Act as amended where applicable.
- 22.6.4. In order to determine monthly instalments a comprehensive statement of assets and liabilities of the customer must be compiled by a treasury official. To ensure the continuous payment of such arrangement the amount determined must be affordable to the customer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

- 22.6.5. During the time of the debt collection process, but before the debt is handed over to the attorneys a customer may enter into an arrangement to payoff arrear debt,
- 22.6.6. No arrangements will be entertained by the Municipality on debt that has been handed over for legal or debt collection. The Chief Financial Officer or delegated person has the authority to approve an arrangement dependant on the circumstances.
- 22.6.7. The Municipality will entertain only one arrangement with a customer to pay off arrear debt. Failure to abide by the arrangement will result in that: -
- 22.6.7.1. the arrangement shall be terminated with immediate effect; and
 - 22.6.7.2. the outstanding balance shall immediately become due and payable;
- 22.6.8. The customer by signing the arrangement agreement to pay off arrear debt acknowledges the following: -
- 22.6.8.1. The debt is owed to the Municipality.
 - 22.6.8.2. That on default of the arrangement agreement, interest on arrears will be charged on the amount due, electricity supply will be disconnected to the property of the customer or the customer will be blocked from the purchase of electricity or water on the prepayment system, and legal proceedings may be instituted to collect the debt.
 - 22.6.8.3. Any costs, which include collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt may only be recovered from the defaulting customer within the provisions of the NCA.
 - 22.6.8.4. The municipality may at its own discretion request less amounts for arrangements for financially struggling households and to be approved by the CFO.
 - 22.6.8.5. Payslips or proof of income will be required for making arrangement.

22.7. Business Arrangements

- 22.7.1. At the date of the arrangement a minimum of 50% of the arrear debt must be paid immediately and any variance on the minimum shall only be approved by the Chief Financial Officer or his delegate
- 22.7.2. The balance of the debt which includes the capital amount and interest must be paid over a 6 to 12 months' period provided payments are made monthly by the due date. Only the Chief Financial Officer or delegated person may approve any extension on this arrangement.
- 22.7.3. The total monthly instalment must include the current monthly charges plus the amount to pay off arrear debt.
- 22.7.4. No arrangements will be considered by the Municipality on a debt that has been handed over for legal collection (litigation).
- 22.7.5. Failure to maintain the arrangement will result in interest being levied and full debt collection being implemented, with no possibility of a reprieve.
- 22.7.6. Any arrangement outside of the foregoing must be approved by the Chief Financial Officer or appointed delegate.
- 22.7.7. The municipality may at its own discretion request less amount for arrangements for financially struggling businesses and to be approved by the CFO.
- 22.7.8. Three months' bank statement or proof of income will be required for arrangements.

22.8. Schools / Hospitals / Government

No school, hospital, or Government Department may arrange to pay off his or her outstanding debt or if otherwise approved only by the Chief Financial Officer / Deputy Director Finance or Municipal Manager.

22.9. Sport and Social Clubs

Sport & Social Clubs	20% of arrear amount plus current account as down payment. Balance over maximum of 3 months.
----------------------	--

22.10. Churches and Religious Institutions

The arrangement amount plus the current amount to be paid promptly in full on a monthly basis.

Churches & Religious Institutions	20% of arrear amount plus current account as down payment. Balance over maximum of 6 months.
-----------------------------------	--

22.11. ACCOUNT HOLDERS UNDER ADMINISTRATION

Where a person has been placed under administration, the following procedures will be followed:

- 22.11.1. The debt as at the date of the administration court order, will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- 22.11.2. The administrator is to open a new account on behalf of the debtor, with a new deposit No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer to section 74S of the Magistrates Courts Act 32 of 1944 as amended).
- 22.11.3. The administrator may not give the person who has been placed under administration permission to open an account.
- 22.11.4. Until this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter at own cost, should one not already be in place. The Council will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.
- 22.11.5. Should there be any default on the current account the supply of services is to be limited or terminated and the administrator handed over for the collection of this debt.

22.12. INDIGENTS

22.12.1. Debtors, who qualify and become registered as indigent, will have their arrears written off as per Councils Indigent Policy.

Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of a change in circumstances within the household:

22.12.1.1. The indigent support will be stopped.

22.12.1.2. The recipient may be liable for the repayment of all indigent support received for the period involved, which amount will be debited against the consumers account.

22.12.1.3. Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.

22.12.1.4. Criminal charges may be instituted against the account holder for supplying false information.

22.12.2. Arrangements

Should an Indigent person fall into arrears and credit control actions have been taken against the consumer, the down payment and instalment will be calculated according to the person's income. The calculations will be done at 5% of the monthly income as a down payment and instalment. Indigents who are not employed must pay a minimum down payment of R150 and the instalment calculated as affordable.

22.13. COUNCILLORS AND MUNICIPAL EMPLOYEES

22.13.1. In accordance with section 10 of schedule 1, 12A and schedule 2.10 of the Municipal Systems Act 32 of 2000 as amended, a staff member and councillor of a municipality may not be in arrears to the municipality for rates and services charges and the municipality may deduct any arrear amounts from a staff members' salary after this period, which will not exceed more than 25% of the person's net salary.

22.13.2. All existing staff and Councillors who have not entered into an agreement to pay arrears must do so within thirty days of the approval of this policy by Council.

22.13.3. All staff members joining the Municipality must within thirty days sign an agreement to pay arrears which must be prearranged by the Human Resources Section.

22.13.4. All agreements with Councillors will be calculated according to point 22.6. above, but must not exceed the expiry date of the term of office of the councillor.

22.13.5. Salary deductions in terms of section 10 of schedule 1, 12 A and schedule 2.10 of the Municipal Systems Act 32 of 2000 as amended, will be implemented on all staff members and councillors with arrears on their account, irrespective of whether they enter into an arrangement or not.

22.13.6. Any employees upon their appointment to a higher post or annual increase of salary who have signed a Credit Authority, shall increase their instalments on the Credit Authority in accordance with their new salary increase.

22.14. PROPERTY MANAGEMENT LEASES

22.14.1. The procedure for the recovery of arrears on leases is that the Council would pursue the debt, in accordance with the terms of the specific lease contract, and any policy related thereto, as determined by the Council from time to time, until all avenues are exhausted.

22.14.2. The Council may attach the rental of tenants or any other payments due to owners who are in arrears with their Municipal accounts.

22.15. ACCOUNTS HANDED OVER TO ATTORNEYS / DEBT COLLECTORS

22.15.1. Consumers that are currently handed over to an attorney/debt collector are not allowed to accumulate any new arrears, nor ask for any extension or arrangement on his current account. That all normal accounts of which a portion are handed over for the recovery by an attorney, may be blocked on the system for further extension/arrangements.

22.15.2. Consumers who have been handed over to an attorney/debt collector and their current accounts are up to date, may be blocked to buy prepaid services, if the handed over accounts are not being serviced.

22.15.3. Only upon motivation or under special conditions, may the Chief Financial Officer or delegated official, deviate in this regard.

22.16. NEW TENANTS - OWNER ARREARS

- 22.16.1. Where it is found that the Owner is in arrears and a new tenant is to occupy the premises, the new tenant may, with the owner's approval, agree in writing as per agreement, to pay the services and arrears account. At least 50% of the monthly rental of the tenant is to be paid to Council until the arrears has been paid up.
- 22.16.2. If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined in terms of the Municipal Property Rates Act, as amended, the Council may recover the amount in whole or any part thereof from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier: Provided that such tenant or occupier may be entitled to deduct such amount recovered from the rent payable to the owner.

22.17. EXTENSION FOR PAYMENTS

A Customer may apply for extension of time for payment of the current account on the Municipal Account by completing the applicable form.

- 22.17.1. Any consumer shall be entitled to apply for deferment of payment of 30% of the current account until the 15th of the following month: provided that no consumer shall be granted deferment of payment more than three times a year.
- 22.17.2. Any consumer who is unable to pay his/her account by due date, may apply before the due date for an extension until the 30th of the month in which the amount is due and payable. In such an event, the electricity supply shall only be discontinued in the event of the consumer not settling their account by the 30th, provided that this indulgence does not occur more than three times a year.
- 22.17.3. That no extension be granted to any consumer for his current account, who has been placed under administration or debt review, or any consumer who has already been handed over for debt collection in respect of arrears.

- 22.17.4. That pre-paid electricity may not be supplied to consumers who do not pay their current accounts and/or do not make arrangements for the payments of their arrears and the payment thereof.
- 22.17.5. An extension for payment granted in terms of this section, is subject to the Customer entering into the applicable Acknowledgment of Debt Agreement.

23. Disconnection/ Reconnection of Water and Electricity

- 23.1. Notices will be delivered to consumers who are in arrears at least 14 days before being disconnected and a late payment fee levied irrespective if they were disconnected or not.
- 23.2. Proof of payment must be brought to Council offices if paid at other institutions for reconnections.
- 23.3. Proof of payment after hours must be brought to the Finance offices if paid at other institutions the following day for reconnections.
- 23.4. Consumers who do not react to the notices may be disconnected between Monday and Friday and a disconnection fee will be levied. No disconnection will be made after 12h00 on a Friday, a day before a public holiday, or on weekends.
- 23.5. Where a cable has been removed, the consumer must pay all outstanding fees and a new application for services will have to be completed at council offices and the relevant deposit paid.
- 23.6. Consumers paying after hours will only be reconnected until 19h00 at a special tariff as determined by Council.
- 23.7. Consumers may not be disconnected after 16h00 on weekdays or on weekends or Public holidays.
- 23.8. No disconnected consumer will be reconnected on weekends and public holidays, unless under special circumstances, at a special tariff as determined by Council.

24 Indigent Relief

A basic level relief will be provided to qualifying households in terms of the provisions of the Indigent Relief Policy.

25. Subsidy Categories

- 25.1. Subject to the extent of the equitable share contribution received and affordability levels, Council may provide free of charge to Indigent household consumers, the basic level of services as determined in the Indigent Policy.
- 25.2. Further grants may be provided as determined from time to time in Council's policies and by-laws.

26. Consumer Categories

Consumers will be categorised according to specific classifications-based on inter alia the type of entity, applicable tariffs and risk levels. Processes for credit control, debt collection, and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

CHAPTER 6

CREDIT CONTROL AND DEBT COLLECTION POLICY

27. Background

This Customer Care, Credit Control & Debt Collection Policy is applicable to the City of Matlosana, which includes the entities of Klerksdorp, Jouberton, Alabama, Manzilpark, Sakhrol, Orkney, Kanana, Stilfontein, Khuma, Hartbeesfontein, and Tigane.

28. Credit Control Objectives

Credit control relates to the collection of cash from ratepayers, customers, and consumers of the various municipal services. Credit control under this definition would start once an account remains unpaid after a specified due date. In terms of modern practices and approaches, credit control is more aptly defined as an avenue of last resort within the ambit of customer management. The customer management approach focuses on the clients' needs in a responsive and responsible manner, the objective being to encourage payment to prevent the need for enforcement.

29. Factors that Might Affect the Implementation of a Full Credit Control System

- 29.1. Lack of technical capacity to implement credit control within council.
- 29.2. Lack of administrative capacity to implement credit control within council.
- 29.3. Lack of political support and commitment from Councillors.
- 29.4. Poor and inefficient accounting systems adopted by some municipalities resulting in inaccurate financial reports and incorrect statements.
- 29.5. Lack of financial resources throughout the payment collection system.
- 29.6. Insufficient customer pay points established by various councils.
- 29.7. Non-existence of a policy on indigents.
- 29.8. Incorrect meter readings.
- 29.9. Lack of a proper customer care section to resolve queries.

30. Credit Control Principles

Credit control is the last step in ensuring payment for services rendered. Considering the level of unemployment and poverty in South Africa, the enforcement of payment for services will be ineffective if it is not based on acceptable principles and if the ability to pay is not separated from indigence. The following principles are applicable:

- 30.1. The Municipal Manager, who is entrusted with the determination and execution of credit control measures, must report to the Executive Mayor.
- 30.2. Enforcement and policymaking must be independent to ensure accountability.
- 30.3. Credit control measures must be understandable, uniform, fair, and consistently applied.
- 30.4. Credit control must be effective, efficient, and economical.
- 30.5. The measures must be sustainable in the long-term.
- 30.6. A proper indigent policy must be in place.

31. Necessity for Credit Control

- 31.1. The operations required in order to effect service delivery to the community are controlled and funded by the Council's operating budget, which in turn is very dependent on the collection of all the budgeted income. Any shortfall between actual income and budgeted income will mean that expenditure will have to be reduced. This could result in the curtailment of services or lowering of standards.
- 31.2. A further point is that the infrastructure required for the provision of services is provided by capital expenditure, which is often provided by external financing (loans). Loans must be repaid together with interest for which provision must be made in the operating budget. In addition to these capital charges, maintenance, and operating costs of the newly acquired assets must be provided for in the operating budget. To meet all these costs, it is imperative that all budgeted income be collected.
- 31.3. Raising external finance (loans) could become a problem if lenders feel that there is a risk that the municipalities may default or delay repayments. A factor that will therefore be closely monitored is the level of non-payment for municipal services.
- 31.4. To maintain Councils creditworthiness and to counter the effects of non-payment, municipalities may build up necessary reserves or dedicate income sources or assets as security for capital finance. The result is either slower or no service delivery or excessive reserving all of which are detrimental to ratepayers and consumers.

32. Debt Collection Responsibility of Council

- 32.1. In terms of Section 96 of the Municipal Systems Act, No 32 of 2000, a Council:-
 - 32.1.1. must collect all money that is due and payable to it,
 - 32.1.2. For this purpose, must adopt, maintain, and implement a credit control and debt collection policy that is consistent with its rates and tariff policies and complies with the provisions of this Act.
- 32.2. Council recognizes the National Credit Act of 2005 as amended but cognizance must be taken of the following:
- 32.3. That arrears rates and interest does not fall under the National Credit Act of 2005 as amended.

- 32.4. That according to Section 4 of the National Credit Act of 2005, as amended, the Act applies to every credit agreement within the Republic except as stated in Section 4(6)(b)(ii).
- 32.5. Council may however take such applications into consideration and will consider such applications according to this policy but will not be obliged to accept them as a whole.

33. Contents of Policy

In terms of Section 97 (1) of the Municipal Systems Act, No 32 of 2000, as amended, a credit control and debt collection policy must provide for:

- 33.1. credit control procedures and mechanisms.
- 33.2. debt collection procedures and mechanisms.
- 33.3. provide for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents.
- 33.4. realistic targets consistent with: -
- 33.4.1. general recognized accounting practices and collection ratios.

And

- 33.4.2. the estimates of income set in the budget less an acceptable provision for bad debts.
- 33.5. interest on arrears, where appropriate.
- 33.6. extensions of time for payment of accounts.
- 33.7. termination of services or the restriction of the provision of services when Payments are in arrears.
- 33.8. matters relating to unauthorized consumption of services, theft and damages.

And

- 33.9. any other matters that may be prescribed by regulation in terms of section 104 of the Local Government: Municipal Systems Act. 32 of 2000 as amended.

34. Supervisory Authority

In terms of section 99 of the Municipal Systems Act, No 32 of 2000, as amended, a Council's or executive mayor as the supervisory authority must: -

- 34.1. Oversee and monitor: -

- 34.1.1. the implementation and enforcement of the Council's credit control and debt collection policy and any by-laws enacted in terms of section 98 of the Municipal Systems Act, No 32 of 2000, as amended; and
- 34.1.2. the performance of the municipal manager in implementing the policy and any by-laws.
- 34.2. When necessary, evaluate or review the policy and any by-laws, or the implementation of the policy and any such by-laws, to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and
- 34.3. At such intervals as may be determined by the Council report to a meeting of the Council.

35. Implementing Authority

In terms of Section 100 of the Municipal System Act, No 32 of 2000, as amended, the municipal manager or service provider must: -

- 35.1. Implement and enforce the Council's Customers Care, Credit control and Debt Collection policy and any by-laws enacted in terms of Section 98 of the Municipal Systems Act, No 32 of 2000, as amended;
- 35.2. in accordance with the Customer Care, Credit Control and Debt Collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Council; and
- 35.3. At such intervals as may be determined by the Council report the prescribed particulars to a meeting of the supervisory authority referred to in Section 99.

36. Roles and Responsibilities

- 36.1. In terms of Section 99(a) of the Municipal Systems Act, No 32 of 2000, as amended, the Council's Executive Mayor must oversee and monitor the implementation and enforcement of the credit control and debt collection policy.
- 36.2. In terms of Section 99(b) of the Municipal Systems Act, No 32 of 2000, as amended, the Council's Executive Mayor must when necessary, evaluate or review the policy or the implementation of the policy in order

to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.

- 36.3. In terms of Section 100(a), the Municipal Manager must implement and enforce the Council's Customer Care, Credit Control and Debt Collection policy.
- 36.4. In terms of Section 100 (c) of the Municipal Systems Act, as amended, No 32 of 2000, the Municipal Manager must at such intervals as may be determined by the Council report the prescribed particulars to a meeting of the executive committee.
- 36.5. The communication of the credit control and debt collection policy to the community is the joint responsibility of the Councillors, Municipal Manager and municipal officials.
- 36.6. In terms of Section 11 (c) of Schedule 1 of the Municipal Systems Act, No 32 of 2000, a Councillor may not obstruct or attempt to obstruct the Municipal Manager or any employee of the Council to implement and enforce the Council's credit control and debt collection policy.

37. Service Application and Agreements

37.1. All consumers of services will be required to sign an agreement governing the supply and cost of municipal services. The agreement for municipal services is attached as annexure "A".

37.2. All consumers shall pay a deposit as determined by Council, with the approval of the annual budget, which may be increased to twice the average three monthly consumption, by the Municipal Manager, or his designated official in the event of non-payment.

37.2.1. The copy of registration document from the deeds search will suffice as an Agreement for Municipal Services application form, whereby a deposit will be debited automatically, without the completion of the application form.

37.2.2. Where a property owner has paid a deposit on an account, which does not have metered electricity or water, their account, will be credited by Council and will not be refunded if it is an active account.

37.2.3. Where a property owner has an unpaid deposit on their current account, the deposit will be credited against any amount owing

- 37.3. Prior to signing these agreements, consumers will be entitled to receive the policy document of Council on request if requested.
- 37.4. On the signing of the agreement, consumers will receive a copy of the agreement for their records.
- 37.5. Consumers are responsible for costs of collection and interest in the event of delayed and/or non-payment.
- 37.6. Existing consumers of services may be required to sign new agreements as determined by the Municipal Manager from time to time.
- 37.7. If a consumer refuses to sign a new service agreement or pay the deposit as stipulated by Council, the Council may discontinue services until the necessary agreement has been signed or deposit been paid.
- 37.8 Transfers of ownership of a property will be implemented from date of registration at the Deeds Office. Property rates and basic charges will be transferred to a new owner's account and a deposit as determined by Council will be levied. If a new consumer account has not been opened, a list will be sent by the Rates Section to Connection & Termination and Credit Control sections to disconnect the services, except for vacant stands.
- 37.9. The consumer will also be held accountable for services already provided, costs incurred and any other costs associated with the collection of service fees and cost incurred.
- 37.10. All applicants for municipal services may be checked for creditworthiness including checking information from banks, credit bureaux, other local authorities, trade creditors, and employers and will be listed at an ITC company due to non-payment of their services.
- 37.11. The municipality may –
- 37.11.1. Consolidate any separate accounts of any properties of persons liable for payments to the municipality;
 - 37.11.2. Consolidate any sundry accounts with a consumers account if existing, of any persons liable for sundry payments and not paying their sundry account to the municipality.
 - 37.11.3. Should a sundry account holder not be a resident in the City of Matlosana jurisdiction and fail to pay their sundry account, then the account will be handed over for debt collection to an attorney.

37.11.4. Credit a payment by such a person against any account of that person;

And

37.11.5. Implement any of the debt collection and credit control measures provided for in this Chapter in relation to any arrears on any of the accounts of such a person and may terminate the services of such account.

37.11.6. The Municipality may–

37.11.6.1. consolidate any separate accounts of persons liable for payments to the Municipality;

37.11.6.2. credit a payment by such a person against ANY account of that person; and

37.11.6.3. implement any of the debt collection and credit control measures provided for in this Policy and the By-law in relation to any arrears on any of the accounts of such a person.

37.11.6.4. The Municipality's allocation of payment is not negotiable and the Consumer / ratepayer may not choose which account to pay.

37.11.6.5. Any amount paid by the Customer in excess of an existing debt may be held in credit for the Customer in anticipation of future rates and fees for Municipal services, and no interest will be payable on that amount.

37.11.6.6. Any amounts paid will be appropriated to the oldest debt first.

37.11.6.7. The basis on which part payments are allocated on an account which falls into arrears, falls within the internal processes

Subsection (37.10.1.) does not apply where there is a dispute between the municipality and a person referred to in that subsection concerning any specific amount claimed by the municipality from that person. Therefore, the liability for payments not disputed is not suspended.

38. DISSOLVING OF TENANT ACCOUNTS

- 38.1. The Council will only register accounts for accounts holders who are the owners of a property. No accounts will be registered for tenant account holders and the onus will be on the owner/agent to ensure that the monthly service and rates accounts are paid.
- 38.2. All existing tenant accounts will be phased out in terms of a phasing out plan as follows:
- 38.2.1. All current existing tenant accounts will be kept as is, until the contract is terminated by the tenant/owner/agent or may be consolidated as over an extended period.
 - 38.2.2. Should a tenant fall into arrears with more than 90 days, then the account may be terminated and all services will be charged against the owners account.
 - 38.2.3. Council will only transfer service amounts and will write back all interest charged, warning fees, disconnection fees, and legal costs, should Council be unable to link the tenant at an address where they are the owner within the Matlosana jurisdiction to which the debt can be consolidated
 - 38.2.4. Should an arrears closed tenant account have debt which exceeds 1,095 days (3 years) and cannot be linked to an account on Councils financial system, then the debt may be written off with approval of the Council only.
- 38.3. The Council may at its discretion upon application from the relevant authority/owner, allow for the opening of tenant accounts in relation to the following circumstances, but the owner will still be held liable for the outstanding amount owing for services owed by the tenant:
- 38.3.1. Tenants who are bona fide registered indigents in terms of the Indigent Relief Policy
 - 38.3.2. Business tenants accounts
 - 38.3.3. Government tenant accounts
 - 38.3.4. Flats
 - 38.3.5. Any other special circumstances

39. Right of Access to Premises

- 39.1. The owner and or occupier of property is to allow an authorised Representative of the Council access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.
- 39.2. The owner is responsible for all the cost associated with the relocation of a meter if satisfactory access is not possible and must be undertaken by the owner at own cost.
- 39.3. If a person should fail to comply with the provisions set out in clause 8.5 & 39.2, the Council or its authorised representative may by written notice require such person to restore access, or relocate the meter to the boundary at his/her own expense within a specified period.
- 39.4. Should the consumer not comply with the written request within the specified period, then Council will do the relocation of the meters without prior notice and recover the cost from such person by means of debiting the consumers account, which must be paid immediately.
- 39.5. No access to the meter, In the event of the municipality not being able to gain access to a meter for two (2) consecutive meter readings, the customer shall be issued with a notice to restore access. Failure to comply with the written request, the customers services will be discontinued in respect of the premises to which that meter relates.

40. Enforcement Mechanisms

- 40.1. Interest can be raised as a charge on all accounts not paid by the due date.
- 40.2. Consumers who are in arrears with their municipal account and who have not arranged with Council will have their supply of electricity and water, and other municipal services, suspended, restricted or disconnected.
- 40.3. Services in respect of household consumers must be paid on/or before the 10th of every month. The consumer may be notified by means of an SMS or notice after the 10th of a month and if the account has not been

paid, the electricity services may be suspended and the water services may be restricted after 14 days' notice without further notice.

- 40.4. Before the supply of services is restored the outstanding municipal services account must be paid in full or an arrangement be made with the Implementing Authority to settle the account in full. Only one (1) arrangement will be concluded between the City Council and the consumer in the settling of the arrear debt. Additional arrangements may only be made once the preceding arrangement has been paid in full
- 40.5. An Acknowledgement of Debt and consent to judgement must be completed with the arrangement that was concluded with the City Council for the paying off of arrear debts. Copies will be handed to the client on request.
- 40.6. By mutual agreement between the City Council and the consumer, debit orders can be completed for the monthly payment on all amounts that are owed to the City Council. If the arrangement (first arrangement) is dishonoured, the full balance will immediately become payable. The City Council will not conclude any further arrangements with the consumer concerned on the account.
- 40.7. No interest will be charged on an arrangement, if the consumer honours the arrangement and the arrears are repaid in full within the agreed period. Should the arrangement instalment amounts fall into arrears, then interest at a rate of 15%, will be levied on the instalments.
- 40.8. Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible.
- 40.9. The cost of the warning late payment fee, restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council and will be payable by the consumer.
- 40.10. The deposit of any defaulter will be adjusted and brought into line with relevant policies of Council according to section 37.2. of this policy

41. Theft and Fraud

- 41.1. Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised

act associated with the supply of municipal services, or supplying electricity to a nearby property from their premises, as well as theft of and damage to Council property, will be prosecuted.

- 41.2. The Municipal Manager will immediately terminate the supply of services to a consumer should such conduct as outlined above be detected and a fine issued according to the Electrical and Water Departments tariffs. The fine must be paid once off or an arrangement made to pay off the fine within 6 months, with the understanding that the 1st payment of the arrangement of the fine must be paid immediately together with the current account. This arrangement is only applicable for households or flats.
- 41.3. The total bill owing, including interest and collection fees, assessment of unauthorised consumption, discontinuation and reconnection fees, and increased deposits as determined by the Municipal Manager, if applicable, will be due and payable before any reconnection can be sanctioned or if as mentioned in point 35.2. above
- 41.4. The Municipal Manager will maintain monitoring systems in order to identify consumers who are undertaking such illegal actions.
- 41.5. Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 41.6. Council will reward "whistle blowers" who report the tampering of meters and reconnection of disconnected / restricted meters as follows:
 - 41.6.1. A reward of R500 in respect of electricity installations will be paid where the culprit has been issued with a fine by the Electrical Department
 - 41.6.2. A reward of R500 in respect of water installations will be paid where the culprit has been issued with a fine by the Water Department
 - 41.6.3. The community must be informed of such rewards by means of notices in the media and at all pay points and other notice boards of Council.
 - 41.6.4. The identity of the Whistle blower will be kept strictly confidential, and any person found in contravention of this matter will be dealt with accordingly

41.7. The Electrical Department has further concluded extensive research on the different types of consumers, and the types of metering systems implemented by the Council and has compiled the following penalties which will be imposed to eradicate the tampering of single and three phase meters which have resulted in high energy losses.

Consumers utilising electrical conventional meters, who are found tampering on a regular basis, may be enforced to install prepaid electrical meters at their own cost. Council will install such meters and levy the costs against the consumers account. This action will be enforced upon by the recommendation of the Electrical Division

41.7.1. Households:

41.7.1.1. Prepaid Meters

- 41.7.1.1.1. Electricity switched off and applicable fine issued;
- 41.7.1.1.2. Owner to re-apply for split meter installation and to be allocated at cost of the owner, according to Council's specifications, alternatively the owner to reapply for a new conventional meter to be re-allocated at erf boundary at cost of the owner according to Council's specifications in relevance with the electrical distribution network;
- 41.7.1.1.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new split meter or conventional meter has been approved and installed at the owners cost;
- 41.7.1.1.4. Existing pre-paid meter to be handed over to Council;

41.7.1.2. Conventional Meters

- 41.7.1.2.1. Electricity switched off and applicable fine issued;
- 41.7.1.2.2. Owner to re-apply for a new conventional meter to be re-allocated erf boundary at cost of the owner according to Council's specifications in relevance with the electrical distribution network;
- 41.7.1.2.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new conventional meter has been approved and installed at the owners cost;
- 41.7.1.2.4. Existing conventional meter to be handed over to Council;

41.7.1.3. Flats (one owner / multiple flats)

- 41.7.1.3.1. Electricity switched off and applicable fine issued;
- 41.7.1.3.2. Owner to install new bulk meter to be re-allocated erf boundary at cost of the owner according to Council's specifications in relevance with the electrical distribution network;
- 41.7.1.3.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new bulk meter has been approved and installed at the owners cost;
- 41.7.1.3.4. Existing pre-paid and conventional meters to be handed over to Council;

41.7.2. **Business / Bulk / Industrial Consumers**

- 41.7.2.1. Electricity switched off and applicable fine issued;
- 41.7.2.2. Owner to install new electronic bulk meter at own cost on the erf boundary or in high voltage switchgear at the supply point, according to Council's specifications;
- 41.7.2.3. Power remains off until a reconnection fee and applicable fine has been paid, and the installation of a new electronic bulk meter has been approved and installed at the owners cost;
- 41.7.2.4. The fines for tampering and installation of meters for the abovementioned will be as approved by the Electrical Department.

42. Consumer screening and securities

- 42.1. All applicants for municipal services may be checked for creditworthiness including banking details and information from credit bureaus, other local authorities, trade creditors, and employers.
- 42.2. Deposits will be required, and may vary according to the risk. A minimum deposit will be payable equal to twice the average monthly consumption of the past 3 months with / or a minimum amount as determined annually according to the tariff schedule from time to time.
- 42.3. At the discretion of the municipal manager or representative, deposits can be increased to a maximum of three months' average consumption when the

account falls into arrears after the current deposit has been confiscated to cover the outstanding debt

42.4. Deposits can vary according to the credit-worthiness or service or user category of the applicant.

42.5. New consumer deposits for business and industrial consumers may be reassessed three (3) months after the initial deposit date.

42.6. In cases, where financial constraints are experienced with the payment of deposits for houses and flats, the situation be revisited to accommodate for the making of arrangements to pay the deposit in two or three equal instalments.

42.7. The Council does not pay any interest on consumer deposits.

42.8. On the termination of the agreement, the amount of the deposit, less any outstanding amount due to the Council, will be refunded to the consumer.

42.9. On the termination of the agreement the consumer must ensure that all outstanding monies, including arrangements and debt collection handovers are paid

42.10. On the termination of the agreement, arrangements and debt collection handovers must be cancelled.

42.11. Should all outstanding amounts on the relevant account / property not be paid in full, then the account will be handed over for debt collection for the full outstanding amount

43. Persons and Business Who Tender to the Council

The Procurement Policy and Tender Conditions of the Council will include the following:

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

43.2. A condition allowing the Council to deduct any moneys owing to the Council to be paid by the contractor.

44. Debt Management – Credit Control and Debt Collection

- 44.1. To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.
- 44.2. Criteria for irrecoverable debt - Debt will only be considered as irrecoverable if it complies with the criteria as stipulated in the Councils Irrecoverable Bad Debt Policy:
- 44.3. Notwithstanding the above, the Council or its authorised officials will be under no obligation to write-off any particular debt and will always retain the sole discretion to do so.
- 44.4. Any debt under the amount of R1,000.00 which is dealt with in point 44.2 above, which is older than 90 days and is irrecoverable, may be written off by the Chief Financial Officer or by his/her delegated officials without any submission to Council.
- 44.5. The municipality shall be entitled to reverse any amount written off as a bad debt where it is later found that an account holder has misrepresented (whether intentional or negligent) any information whatsoever in order to motivate such write-off of debt.
- 44.6. The municipality shall be entitled to effect the write back immediately against the account holder's municipal account upon noting the fraud or misrepresentation.
- 44.7. The municipality may write back any amount previously written off on behalf of an account holder if the account holder at any time has a credit balance reflected against any of his/her municipal accounts and requests a refund from the municipality for such credit balance. The write back principle will apply to all other account holders, including indigent account holders.

45. Personal contact

Telephonic contact, agents calling on clients:

- 45.1. Council will endeavour, within the constraints of affordability, to make personal, electronic or telephonic contact with all arrear debtors to encourage their payment, and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigence subsidies, other

related matters and will provide information on how and where to access such arrangements or subsidies.

45.2. Such contact is not a right for debtors not to pay and disconnection of services and other collection proceedings may continue, in the absence of such contact for whatever reason.

46. Legal Process / Use of Attorneys / Use of Credit Bureaus / Debt Collectors

46.1. The Municipal Manager or delegated officials may, when a debtor is in arrears, commence legal process against that debtor, which process could involve warnings, final demands, disconnections, restrictions, summonses, judgements, garnishee orders and as a last resort, sale in execution of property.

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

46.3. The Council will establish procedures and codes of conduct where external service providers have been appointed to collect outstanding arrears from debtors, through means of service level agreements.

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

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

46.6. Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus.

46.7. The Council may consider the cost effectiveness of the legal process and will receive reports on relevant matters.

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

- 46.9. Appropriate measures will be taken to inform consumers what the responsibilities of service providers will be regarding Customer Care, Credit Control and Debt Collection.
- 46.10. Once a consumer has been handed over for collection of his/her arrear account, arrangements or extension of time for payment, must be made directly with the appointed attorneys or any other collection agents.

47. Rates clearance

On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges in connections with a property are paid by withholding a rates clearance certificate. Systems to be used to process Rates Clearance applications are Manual applications, Lexis Clearance and e4 clearance system.

- 47.1. In the case of Rates Clearance Application, the applications will be processed within fourteen (14) days or earlier.
- 47.2. Clearance certificates will be issued within 14 working days after required monies have been receipted.
- 47.3. The transfer of ownership will be done within 8 weeks from date of registration depending on the period the Deeds office takes to update the registration on their system.
- 47.4. Valuation Certificates will be issued immediately upon receipt of the fee charged.
- 47.5. Should any other costs arise due to an error on Councils side, Council is entitled to recover the costs if the debt has not prescribed from the seller.
- 47.6. The Information and addresses of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner/purchaser for the purposes of billing for rates, services, and consolidated accounts, until the purchaser changes it.
- 47.6.1. A person liable for a rate must furnish the municipality with an address where correspondence can be directed to.
- 47.6.2. A person is liable for payment of a property rates whether or not that person has received a written account in, if a person has not received a written account, that person must make the necessary inquiries from the municipality.

47.6.3. Council will not be held liable or responsible for accounts being delivered to the wrong address. It is the owners and transferring attorney's obligation to ensure that the correct postal address OR email is supplied.

47.7. The new owner may be held liable post transfer, should the application not record the correct meter numbers on the property.

47.8. The Municipality reserves the right to follow any of the legal mechanisms available to it, in order to recover the balance of the debt, including, lodging an urgent application to interdict the sale of the property until the debt is paid in full. All Collection Charges incurred in pursuing recovery of arrears, shall be levied against the debtor's account.

47.9. Where an application has been made for a revenue clearance certificate, in respect of a property on which unauthorised development has taken place, or unauthorised /illegal activities have been conducted, the application will not be processed further, until such time as the Municipality has re-assessed the valuation of the property.

47.10. In terms of Section 118(1) of the Local Government: Municipal Systems Act as amended, a registrar of deeds may not register the transfer of the property, except on producing that registrar of deeds of prescribed certificate issued by the municipality and which certifies that all amounts that became due in connection with the property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.

An assessment in terms of S118 (1) of the Systems Act as amended, will only be issued on request by a Conveyancer. In terms of Section 118(3), an amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties are a charge upon the property in connection with which the amount is owing.

The Municipality shall exercise its rights to recover such debt as guided by the law on the application of section 118 of the Systems Act as amended. The Rates Clearance Certificate shall be endorsed with the balance owing as a charge against the property, in order to bring to the attention of the seller, buyer and conveyancer. The onus is upon the conveyancer to advise his or her clients accordingly.

The seller may be requested to provide the Council with payment or a bank guarantee **or undertaking** for the balance of the arrear amount, within 5 days from date of undertaking, failing which Council will be left with no alternative than to enforce the charge against the property and to halt the impending transfer, by obtaining an interdict against the transfer, on an urgent basis. The Seller/Property Owner will be held responsible for the costs in respect of such an application for an interdict.

47.11. Undertakings will **ONLY** be accepted in the following situations:

47.11.1. Transfer of ownership which involves - late estate from one party to the other where funds are not available.

47.11.2. Insolvency - transfer from one party to another where funds are not available.

47.11.3. Transfer of ownership where a housing subsidy is applicable.

47.11.4. Where special permission is given by the Municipal Manager or delegate,

The attorney must pay all monies due to Council after registration date and receipt of subsidy. Any attorney, who defaults, will be reported to the relevant authority and be barred from transacting with Council.

48. Cost of Collection

All costs of legal process's, including interest, service discontinuation costs, debt collection and costs associated with customer care or credit control, wherever applicable, are for the account of the debtor or unless otherwise specified.

49. The Pre-Payment Meter System

The Council will use its pre-payment system to:

49.1. link the provision of electricity by the Council to a "pre-payment" system comprising, first, a pre-payment of electricity kWh and;

- 49.2. liaise and recover payments in respect of arrear municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.
- 49.3. to enforce satisfactory recovery of arrears by implementing a percentage payment ratio: which will mean that a 80 percentage of a payment will be allocated towards arrears that is 60 days in arrears and a 20 percentage will be allowed for electricity.
- 49.4. the implementation of clause 49.2 of this paragraph does not exempt the consumer from normal credit control procedures if he/she falls behind with his / her current charges.
- 49.5. a consumer can convert from a conventional electricity meter to a prepaid installation at a cost (which includes the pre-paid meter and installation costs) as determined by Council, as well as credit in respect of the used meter in cash. Alternatively, the consumer can repay the cost, interest free, in equal instalments over a period of *three (3)* months to the Council. In the event of the amount not being paid within the *three* months, further electricity coupons will not be issued to the relevant consumer.
- 49.6. The installation of pre-paid meters, with the written permission of the owner, is encouraged but those debtors, whose electricity supply has been disconnected three times for non-payment, will be compelled to install a pre-paid meter before the supply is reconnected. All energy dispensers are installed at the owner or tenant's expense.
- 49.7. Council may implement a blocking system whereby consumers who are in arrears will not be able to purchase prepaid electricity until the arrears has been paid in full or arrangements made to pay off the arrears in terms of this policy

50. Abandonment of Claims

- 50.1. The Municipal Manager must ensure that all avenues are utilised to collect the Council's debt from arrear debtors.
- 50.2. Circumstances whereby a municipal Council may validate the termination of debt collection procedures as contemplated in section 109(2) of the Local Government Municipal Systems Act of 200, as amended, are as follows:

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

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

50.2.3. Where a consumer or groups of consumers are unable to pay for services rendered.

50.3. The Municipal Manager must maintain audit trails in such instances; document the reasons for the abandonment of the actions or claims in respect of debts.

51. Code of Conduct

51.1. All municipal officials shall treat all debtors with dignity and respect at all times.

Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Promotion of Access to Information Act No.2 of 2000 as amended.

51.2. All councillors and officials shall conduct themselves according to the “Codes of Conduct” for councillors and municipal staff members as contained in Schedule 1& 2 of the Municipal Systems Act 32 of 2000 as amended. Councillors pledge support for implementation of policy and by-laws, and undertake to ensure that their own accounts are always fully and timeously paid.

52. RESPONSIBILITY FOR AMOUNTS DUE

52.1. In terms of Municipal Systems Act 32 of 2000, as amended, Section 118 (3) of the Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

52.2. Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.

- 52.3. The Municipality reserves the right to cancel a contract with the customer in default and register the owner only for services on the property.
- 52.4. No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.
- 52.5. Where more than one person owns the property, each such person shall be liable jointly and respectively, the one paying the other to be absolved, for all Municipal debts charged on the property.
- 52.6. Except for property rates, owners shall be held jointly and respectively liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- 52.7. Refuse removal shall form part of the property debt, payable by the owner of the property.
- 52.8. Directors of Companies, members of Close Corporations and Trustees of Trusts shall sign personal surety ships with the Municipality when opening service accounts. If they are unable to sign the personal surety then a deposit equivalent to twice the usual deposit shall apply.
- 52.9. For so long as a tenant or an occupier occupies a property in respect of which arrears are owing, or an agent acts for an owner in respect of whose property arrears are owing, then the Municipality may recover from such tenant, occupier or agent such moneys as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner.
- 52.10. The Municipality may recover the amount in whole or in part despite any contractual obligation to the contrary on the tenant/occupier/agent.
- 52.11. The amount the Municipality may recover from the tenant, occupier or agent is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent.
- 52.12. Should the tenant, occupier, and/or agent refuse to pay as above, to the Municipality, the services of the tenant, occupier and /or agent may be disconnected.
- 52.13. Should any dispute arise as to the *specified* amount owing according to section 83 of this policy, the customer shall pay all amounts that are not subject to the dispute.
- 52.14. Pre-paid meters shall not be installed until all outstanding debt has been paid in full, subject to clause hereto, unless an arrangement has been made in accordance with this policy

52.15. The owner of the property will be held liable for any tampering with the electricity metering equipment or the water metering equipment on the property by the owner or tenants, as well as charges that arise there, from that might occur. If a meter was found to be registering incorrectly or tampered with, corrections will be done for a period not exceeding 24 months retrospectively based on a three months' average consumption.

53. QUERIES, VERIFICATIONS, OBJECTIONS OR DISPUTES

53. QUERY OR VERIFICATION

In case where the customer fails to query the account/levis within six (6) months the municipality will deem that account to be correct and acceptable to customer, therefore the municipality will not be held accountable or responsible for the failure of the customer to query the account.

Should the debtor not agree with an account, a written query must be lodged as follows.

- 53.1. Where a tenant wishes to apply for a special reading, a permission letter from the owner must be attached.
- 53.2. In this sub-item to query or verify an account refers to the instance when a debtor queries any specific amount or any content contained in any account as rendered by the City of Matlosana to that person as per the process contained herein;
- 53.3. any query can be raised orally in person at the enquiry specialists, Finance office of the City of Matlosana or by way of correspondence.
- 53.4. when a debtor queries an account such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the COM, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the COM;
- 53.5 a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce sufficient proof of such appointment;
- 53.6... all queries shall be acknowledged and dealt with as promptly and efficiently as possible by the COM; and

- 53.6.1. where required an outcome shall be conveyed to the debtor; and
- 53.6.2. where an account query has arisen, the amount queried shall not be subject to debt collection by the City until the query has been resolved and the outcome has been communicated to all parties, where relevant; the following monthly account not queried must be paid by the debtor on a monthly basis until the query is resolved and finalised. The query must be in writing to the Municipality.
- 53.7. the Municipal Manager may suspend any debt collection action, pending the outcome of any query;
- 53.8. notwithstanding any query on any account the account must still be paid, in terms of the provisions contained in this policy, once any queries have been resolved, where relevant; or
 - 53.8.1. subject to any other legislation, payment must be based on the normal average of past accounts rendered until the query is resolved by the Municipal Manager; and
 - 53.8.2. that portion of the account which is not subject to the query must still be paid; and
- 53.9. should a debtor not be satisfied with the outcome of the query, a debtor may lodge an objection
- 53.10. the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and
- 53.11. the onus will be on the debtor to ensure that a suitable response to any query is received. It should be noted that the query must be in writing and the client is expected by the Municipality to make payments on the monthly basis until the query is finalised.
- 53.12. All the disputes and queries to be resolved within 3 to 6 months.
- 53.13. Forms will be made available as per the client request.

54. OBJECTION

- 54.1. Should the debtor not agree with the outcomes of the query/verification, a written objection must be lodged. (Note that a query/verification must be lodged first)

- 54.2. In this sub-item, an "objection" refers to the instance when a debtor disputes any specific amount claimed by the Municipality from that person.
- 54.3. Where an objection has been lodged, sub-item (2) of section 102 (2) of the Municipal Systems Act 32 of 2000, as amended, will apply.
- 54.4. Where a tenant wishes to apply for a special reading, a permission letter from the owner must be attached.
- 54.5. when a debtor objects to an account, such debtor must furnish full personal particulars including any acceptable means of identification, all account numbers held with the COM, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the COM;
- 54.5.1. a debtor may be represented by a duly appointed nominee or agent; and such nominee or agent shall, upon request, produce a letter of authority;
- 54.5.2. all objections shall be acknowledged and dealt with as promptly and efficiently as possible by the COM; and where required an outcome shall be conveyed to the debtor; and
- 54.5.3. where an objection has been lodged, the amount objected to shall not be subject to debt collection by the City until the objection has been resolved and the outcome has been communicated to all parties, where relevant;
- 54.6. the Municipal Manager may suspend any debt collection action, pending the outcome of any objection;
- 54.6.1. notwithstanding any objection on any account the account must still be paid, in terms of the provisions contained in this policy, once any objection has been resolved, where relevant; or subject to any other legislation, payment must be based on the normal average of past accounts rendered until the objection is resolved by the Municipal Manager; and
- 54.6.2. that portion of the account which is not subject to the objection must still be paid; and
- 54.7. Should a debtor not be satisfied with the outcome of the objection, a debtor may refer a 'dispute'.
- 54.8. the onus will be on the debtor to ensure that a written acknowledgement of receipt is received for any correspondence lodged with the Municipality; and the

onus will be on the debtor to ensure that a suitable response to any objection is received

55. DISPUTE

- 55.1. Should the debtor not agree with the outcomes of the objection, a dispute may be referred. (Note that a query/verification & objection should be lodged first)
- 55.2. In this sub-item a "dispute" refers to the instance when a debtor disputes any specific amount claimed by the Municipality from that person.
- 55.3. Where the dispute process has been implemented in terms of sub-item (2), section 102 (2) of the Systems Act as amended will be applicable;
- 55.4. Council will immediately address the contents of the dispute letter, and our refrain to do so should not be interpreted as an acknowledgement of the correctness of the contents thereof. Our rights in this regard are herewith expressly reserved.
- 55.5. Regarding the contents of the aforementioned the following:
- 55.5.1. The "dispute" envisaged in the [provisions of section 102(2) of the Local Government: Municipal Systems Act, Act 32 of 2000, as amended (hereafter the "System Act") is limited to a dispute concerning a "...specific amount claimed by the municipality from that person" and the basis for the rate payer's/consumer's objection thereto. If an item is properly identified and a dispute properly raised, debt collection and credit control measures cannot be implemented on that specific item because of the provisions of the sub-section.
- 55.5.2. As such, the "dispute" which is the consumer is endeavouring to declare by means of their letter, is a *valid dispute, or is not a valid dispute* as contemplated in terms of section 102(2) of the Systems Act as amended.
- 55.6. Where there is a legitimate dispute on an account the following actions are not allowed:
- 55.6.1. Council is not allowed to consolidate the account with another account;
- 55.6.2. Council is not allowed to cross credit on the account;
- 55.6.3. Council is not allowed to implement any credit control measures by the means of: cutting, restricting on the *newly created* dispute account.
- 55.6.4. Council may however implement credit control measures by the means of: cutting, restricting on the main account of the consumer, should the main account fall into arrears

- 55.7. A “dispute account” with a *unique* number will be created whereas the current account as mentioned above should remain up-to-date. In the event where the current account falls in arrears, section 102(1)(c) of the Systems Act as amended and reads thus, “implement any of the debt collection and credit control measures provided for in relation to any arrears on any of the accounts of such a person.”
- 55.8. Upon the resolving of the “dispute account” all corrections, if any exist, will be processed and the remainder thereof fully paid. The outcome hereof be communicated to the consumer as soon as possible.
- 55.9. The official dispute form is hereby attached which must be used for the lodging of disputes
- 55.9.1.No dispute shall be deemed to have been lodged unless it was submitted in writing on the prescribed form.
- 55.9.2.No dispute will be registered verbally whether in person or telephonically.

**DISPUTE IN TERMS OF SECTION 95(f) READ TOGETHER WITH SECTION 102(2)
OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000 (ACT 32 of
2000) AS AMENDED**

Unique number:..... Date:.....
(For Office use only)

Sections 95(f) and 102 of the Local Government: Municipal Systems Act. 2000 (Act 32 of 2000), as amended, provide as follows:

95 Customer care and management

In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a Municipality must, within its financial and administrative capacity –

- (f) *Provide accessible mechanisms for those persons to **query of verify accounts and metered consumption** and appeal procedures, which allow such persons to receive **prompt redress for inaccurate accounts.***

102 Accounts

(1) *A municipality may –*

- (a) *Consolidate any separate accounts of persons liable for payments to the municipality;*
 (b) *Credit a payment by such a person against any account of that person; and*
 (c) *Implement any of the debt collection and credit control measures provided for in this Chapter in relation to any arrears on any of the accounts of such a person.*

(2) *Subsection (1) does not apply where there is a dispute between the municipality and a person referred to in that Subsection concerning any **specific amount claimed by the municipality from that person.***

Therefore, the person referred to hereunder requests that the following dispute be registered with the City of Matlosana and that the decision be made known to the complainant within 45 working days from date that the dispute was lodged.

A. PARTICULARS OF COMPLAINANT

Account number:.....

Owner/Tenant:.....

1. Full Names:.....
.....

2. Physical Address:
.....
.....
.....
.....

3. Postal Address:
.....
.....
.....

4. Telephone Numbers:

Work:.....

Home:.....

Cellular phone:.....

Other (contact number):.....

Email address:.....

The Municipality may elect any one or more of the addresses above to which it can forward its decision and if it is sent by normal mail, it will be deemed to have come to the knowledge of the complainant within 14 (fourteen) days after it has been dispatched and if sent by email, within 48 (forty-eight) hours after it was sent electronically. The onus will be on the complainant to ensure that he/she receives a written acknowledgement of the dispute.

B. NATURE OF THE DISPUTE

The complainant must give a full description of the amount/s involved and the nature of the dispute as well as the detailed reason or reasons in support of the dispute. Any documentation and/or proof in support of the dispute/query/verification must be attached hereto. If the proof consists of a photograph, the said photograph must clearly show the date, time and meter number. If the request is for the verification of an account or meter, the complainant must state this.

DETAILED DESCRIPTION OF THE DISPUTE

Amount being disputed: R.....**Dispute in terms of:**.....
(Water, Electricity or other: please specify)

Reason/s:.....
.....
.....

11. If it is found that there is no basis for the dispute then the complainant will be levied with any costs pertaining to the execution of the investigation.
12. The Council's authorized official's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in the Customer Care, Credit Control and Debt Collection Policy after the complainant is provided with the outcome of the dispute.
13. The same amount will not again be defined as a dispute and will not be reconsidered as the subject of a dispute.
14. If the complainant is not satisfied with the outcome of the dispute he/she may under protest pay the amount in dispute and redress his/her action to the court of law.

Note: The unique number mentioned above must be quoted in all correspondence with the City of Matlosana.

D. INFORMATION REGARDING DISPUTES

All information regarding disputes can be forwarded to the following officials:

Chief Financial Officer

Postal address: PO Box 99, Klerksdorp, 2570

Physical address: Mayibuye building, C/O Bram Fischer & Emily Hobhouse Street, Klerksdorp, 2570

Telephone number: (018) 487 8300, Email address: finance@klerksdorp.org

Signature Complainant

Acknowledgement of receipt

Name and Surname

Signature

(Please ensure that the consumer gets a copy of the dispute for reference purposes)

AGREEMENT FOR MUNICIPAL SERVICES <small>Note: Please complete in print and delete whichever is not applicable</small>		ACCOUNT NO: <input type="text"/>	RECEIPT NO: <input type="text"/>																				
A: DECLARATION BY CONSUMER		5. FAMILY MEMBER (b)																					
USAGE TYPE: <input type="checkbox"/> Domestic <input type="checkbox"/> Business <input type="checkbox"/> Industrial CONSUMER TYPE: <input type="checkbox"/> Individual <input type="checkbox"/> cc <input type="checkbox"/> Partner <input type="checkbox"/> (Pty) Ltd <input type="checkbox"/> Trust		Surname:																					
		Full Names:																					
		ID Number:																					
		Tel no: _____																					
		Cell no: _____																					
1. APPLICANT		6. EMPLOYER (If self-employed - name of business)																					
Surname		Employer:																					
Full Names:		Employer Address:																					
I.D. Number:		Town:																					
Tel No (w): Tel.(h):		7. BUSINESS / INDUSTRIAL																					
Cell phone		Registered company/cc name:																					
Email: Alt. Email		Registration no:																					
2. SPOUSE		Registered Address:																					
Surname:		Trading Name:																					
Full Names:		VAT Registration no:																					
ID Number: Cell no:		Person Responsible:																					
Tel no: (w)		Cell no:																					
3. PREVIOUS RESIDENTIAL ADDRESS		ID number:																					
Street Address:		Business Tel no:																					
		Person's Cell no:																					
		8. POSTAL DELIVERY INFORMATION																					
Town:		Postal address:																					
Termination date:		Town: Postal Code:																					
4. VEHICLE DETAILS		9. METER READINGS – For office use only																					
Registration Number:		Application																					
Make:		Readings:																					
REFER TO REVERSE FOR CONDITIONS OF AGREEMENT		<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>E</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>W</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </table>		E										W									
		E																					
		W																					
		<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>E</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>W</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </table>		E										W									
E																							
W																							
<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>E</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> <tr><td>W</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr> </table>		E										W											
E																							
W																							
		C: DISCONTINUATION OF SERVICES																					
		Address at which service is to be discontinued																					
		Postal code																					
		KINDLY DISCONTINUE THE:																					
		<input type="checkbox"/> Electricity <input type="checkbox"/> Water <input type="checkbox"/> Sewerage <input type="checkbox"/> Refuse																					
		AT THE ABOVE ADDRESS AS ON: D D M M C C Y Y																					
		AND REFUND DEPOSIT, LESS ANY AMOUNT OWING TO:																					
		Postal Address:																					
		Email address:																					
		Bank Details:																					
		Bank:																					
		Branch:																					
		Account number:																					
		Date:																					
		Signature:																					

D: CONDITIONS OF AGREEMENT

Documents to be produced/submitted

1. Identification Document Must Be Produced
2. In Case Of Tenant; Copy Of Lease Agreement Or Letter From Owner Must Be Submitted
3. In Case Of Close Corporation:
 - (i) Cc 2 Document Submitted
 - (ii) Resolution Submitted
4. In Case Of Company
 - (i) Company Articles of Incorporation Submitted
 - (ii) Resolution Submitted

Definitions

The headings of the clauses in this Agreement are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this Agreement nor any clause hereof.

“Consumer” shall mean the person indicated as “applicant” on the front page of this agreement irrespective of whether he/she/it or someone else actually consumed or use the service or not.

“Council” shall mean the City of Matlosana.

“Domicilium” shall mean the chosen address where notices must be delivered.

All other words shall bear the normal meaning of such word.

Authorization

I guarantee that I am duly authorized by the Applicant to apply for the supply of this/these services and to sign the application form and this agreement. I hereby admit that I am liable, and hold myself bound to for the due and proper payment of any amounts due to the Council and which arises as a result of the supply and provision of the services by the Council, should it be found that I signed this agreement without proper authorization.

Conditions for the Supply and Provision.

1. The supply and provision of and payment for the service/s shall be subject to and governed by the Law of SA, By-laws of the Council and Policies adopted from time to time by the Council and which specifically govern or stand in relationship to the provision of the services.
2. For purpose of this agreement I acknowledge that I/we read and understand the contents of the relevant By-laws and Policies which was made available to me by the Council on request.
3. That I/we was/were afforded the opportunity to read and study the paragraph 1 mentioned By-laws and Policies but expressly waived the right to do so and understand the consequences of my decision. *(delete paragraph not applicable)
4. That if I/we as a consumers who are utilising electrical and water conventional meters, default on my/our arrangements, agree I/we may be enforced to install a prepaid electrical or water meters at our own cost and that Council will install such meters and levy the costs against my/our consumers account, or will pay it once off immediately

Jurisdiction

Without prejudice to the rights of the Council, at its option, to institute proceedings in any other court having jurisdiction, the Council and the Consumer hereby consent in terms of Section 45 of the Magistrate Courts Act, 1944, Act 32 of 1944, as amended to the Council taking legal action for the enforcement of any rights under or arising from this agreement in a Magistrates Court which has jurisdiction in respect of the Consumer in terms of Section 28(1) of the Magistrates Court Act,1944, notwithstanding the above will the parties have the right to approach the supreme court..

Payment for services

The Consumer undertakes to pay for services consumed before or on the date indicated on the monthly statement delivered by the Council to the Consumer at the postal address of the Consumer on the front page of this agreement.

Direct Payments

Direct payments or electronic payments can be made into the bank account of the City of Matlosana, ABSA Bank, Klerksdorp, Account no. 01000100176, branch code 632005. The consumer must state the account number as reference on the deposit slip, together with a breakdown of the amount and be faxed to the Council at (018) 464 2318 without delay. Four (4) official business days must be allowed for processing.

Waiver

The Debtor hereby expressly renounces the benefits of the non-*reason or profound cause of the existence of the debt*, the cases where there is an element of bookkeeping or accounting calculation is involved, the revision of accounts, no value recorded and, if there is more than one debtor, the *debtor is jointly or separately liable for the debt* or the *creditor obtains the right to first act against the guarantor before the main debtor is excused*. I also agree to the terms as stated in clause 3.17 of the Councils Customer Care, Credit Control, and Debt Collection Policy.

Domicilium

The Consumer chooses as *the address where notices must be delivered*, the address indicated as street address on the front page of this agreement. The Council as *sender of notices* chooses, Civic Centre, Bram Fischer Street Klerksdorp.

Notices

Every notice to be given by one party to the other in terms of this Agreement shall be in writing and shall be delivered by hand, or posted by prepaid registered post, in which case it shall irrefutably be deemed to have been given and such other party shall be deemed to have been informed of the contents of the notice on the fifth (5th) business day after posting.

Change of Address and or Information

The Consumer expressly undertake to inform the Council within 3 (days) after such occurrence -

1. Of any change of any address indicated on the front page of this agreement.
2. Of the change of any particulars or personal circumstances indicated on the front page of this agreement.

Discontinuation of Service -The Consumer specifically agrees to inform the Council immediately in writing when the service is no longer required and specifically accept responsibility for the payment of services consumed as a result of any failure to inform the Council that the service is no longer required

CITY OF MATLOSANA



PROVISION FOR DEBT IMPAIRMENT POLICY 2024/2025

PROVISION FOR DEBT IMPAIRMENT POLICY

PURPOSE

To ensure that sufficient provision for bad debt is provided for. The Municipal Finance Management Act, Act 56 of 2003, as amended states that the municipality must manage its revenue by ensuring a proper system of internal control exists in respect of debtors and revenue.

The municipality must budget for realistic anticipated revenue less an acceptable provision for bad debts.

The policy aims to ensure that debtors are disclosed in the annual financial statements at the amounts deemed collectable and uncollectable debt is written off within the guidelines of existing policies and applicable legislation.

By adopting this policy clear guidelines are set on the treatment of the impairment of debtors and write-off of debtors. This is to ensure that sufficient provision for bad debt is provided for.

1. OBJECTIVES

The objectives of this policy are to:

- 1.1. ensure any long outstanding debt is evaluated in order to determine the possibility of realizing such income as revenue.
- 1.2. ensure that where it is evident that a particular debt cannot be turned into a revenue such debt be procedurally regarded as irrecoverable.
- 1.3. ensure that the Council of the municipality makes enough provision for bad debts in the budget.
- 1.4. ensure that outstanding monies which have been outstanding for a long time after all attempts have been made in terms of recovering them should then be written off.
- 1.5. ensure the identification of bad debts during the course of the financial year.

- 1.6. provide guidelines on the writing off of bad debts at least three months before the end of the financial year.
- 1.7. ensure the proper delegation of powers to the chief financial officer to write off bad debts up to a certain amount.

2. A provision shall be recognized when:

- 2.1. An entity has a present obligation (legal or constructive) as a result of a past event,
- 2.2. It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- 2.3. A reasonable reliable estimate can be made of the amount of the obligation

If these conditions are not met, no provision shall be recognized.

3. ROLE CLARIFICATION

The Municipal Manager as an Accounting Officer remains the overseeing authority over all the provisions made on behalf of Council.

The Chief Financial Officer must perform the provision management functions as prescribed in Section 97(d)(ii) of the Local Government Municipal Systems Act 2000 as amended and the delegation authority of the Council as prescribed in Section 82 of the Municipal Finance Management act, 2003 (Act 56 of 2003) as amended.

4. DELEGATIONS

The Chief Financial Officer may delegate the provisions responsibility to either his deputy or the provisions responsibility to either his deputy or the assistant managers as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

5. ADMINISTRATION

Consumer Debtors

Annual provision for bad debt on consumer debtors shall be done by the Budget and Treasury Office and provided for as follows:

- 5.1. Debtors who have not paid in the last twelve months are impaired in full.
 - 5.2. Debtors who have paid in the last twelve months but paid an amount less than what they owe at year end will be assessed as follows:
 - a) High risk – if the amount paid is less than 33% of the total debt as at year end, and the projected recovery rate is 16%
 - b) Medium risk- if the amount paid is less than 66% but more than 33% of the total debt as at year end, and the projected recovery rate is 49%
 - c) Low risk – if the amount paid is less than 100% but more than 66% of the total debt as at year end, and the projected recovery rate is 83%.
 - d) The estimated projected cash flows are discounted at a rate linked to prime.
- 5.1. Provision for bad debt shall be provided for the following services:
- 5.1.1.1. electricity basic charges
 - 5.1.1.2. electricity consumption,
 - 5.1.1.3. housing rentals and instalments
 - 5.1.1.4. interest and/or surcharges
 - 5.1.1.5. miscellaneous and sundry charges
 - 5.1.1.6. property rates,
 - 5.1.1.7. refuse removal,
 - 5.1.1.8. sewerage services (Basic and Additional Charges)
 - 5.1.1.9. water basic charges
 - 5.1.1.10. water consumption,

6. RECORDS AND REPORTS

- 6.1. The Chief Financial Officer or the delegated official must keep all provisions transactions in accordance with General Recognized Accounting Practices.
- 6.2. The Chief Financial Officer or the delegated official must report to the Accounting Officer / Municipal Manager the provisions portfolio in a prescribed form as required by the Municipal Regulation and must review and adjust the provisions with the adjustment budget

CITY OF MATLOSANA



FUNDING & RESERVE POLICY

2024/2025

FUNDING POLICY 2024/25

1. Application and Scope

The Funding Policy is applicable to the City of Matlosana Municipality.

2. Objectives of Policy

- To ensure the operating and capital budgets of council are appropriately funded
- To ensure that provisions and reserves are maintained at the required levels to avoid future year unfunded liabilities

Funding of capital and operating budget

(a) The budget may be financed only from:

- I. realistically expected revenues, based on current and previous collection
- II. levels ; . cash-backed funds available from previous surpluses where such funds are not required for other purposes; and
- III. borrowed funds in respect of the capital budget only.

3. **CAPITAL BUDGET**

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

(b) The envisaged sources of funding for the capital budget must be properly Considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

(c) Before approving a capital project, the Council must consider:

- i. the projected cost of the project over all the ensuing financial years until the project becomes operational,

ii. future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

(d) Before approving the capital budget, the council shall consider:

i. the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,

ii. depreciation of fixed assets,

iii. maintenance of fixed assets, and

iv. any other ordinary operational expenses associated with any item on such capital budget.

(e) Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

(f) The capital expenditure shall be funded from the following sources:

Revenue or Surplus

- If any project is to be financed from revenue this financing must be included
In the
- cash budget to raise sufficient cash for the expenditure.
- If the project is to be financed from surplus there must be sufficient cash
Available at time of execution of the project

External loans

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

- Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

Grant Funding

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

4. OPERATING BUDGET

(a) The municipality shall budget in each annual and adjustments budget for the contribution to:

- i. provision for accrued leave entitlements equal to 100% of the accrued leave
- ii. entitlement of officials as at 30 June of each financial year,
- iii. provision for bad debts in accordance with its rates and tariffs policies
- iv. provision for the obsolescence and deterioration of stock in accordance with its stores management policy
- v. Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.
- vi. At least 5% of the operating budget component of each annual and adjustments budget shall be set aside for maintenance.

(b) When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

(c) The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

(d) The operating budget shall reflect the impact of the capital component on:

- depreciation charges
- repairs and maintenance expenses
- interest payable on external borrowings
- other operating expenses.

(e) The chief financial officer shall ensure that the cost of indecency relief is separately reflected in the appropriate votes.

5. UNSPEND CONDITIONAL GRANTS

5.1 Criteria for the rollover of conditional grant funds

Section 22 of the 2019 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 22(2) of the DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer must be addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2019 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - a) Proof that the project tender was published and the period for tender submissions closed before 31 March;
 - b) Proof that a contractor or service provider was appointed for delivery of the project

before 31 March; or

Proof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;

d) Incorporation of the Appropriation Statement;

e) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2020 (attach cash flow projection for the applicable grant).

4. A progress report (also in percentages) on the status of each project's implementation that includes an attached, legible implementation plan);

5. The value of the committed project funding, and the conditional allocation from the funding source;

6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA;

7. Municipalities must not include previous year's unspent conditional grants as a rollover request. Rollover of rollovers will not be considered;

8. An indication of the time-period within which the funds are to be spent if the roll over is approved; and

9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

5.2 Unspent conditional grant funds for 2019/20

The process to ensure the return of unspent conditional grants for the 2018/19 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

Step 1: Municipalities must submit their June 2020 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile.

Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2020. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been

reclaimed from SARS, which must be disclosed separately.

Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2019 DoRA that the unspent funds are committed to identifiable projects, the roll over application pack must be submitted to National Treasury by 31 August 2020. National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 22 October 2020 or whether it will agree to any alternative payment arrangement or schedules.

Step 5: National Treasury will communicate the unspent conditional grants amount by 05 November 2020. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 18 November 2020.

Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 18 November 2020, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 02 December 2020 equitable share allocation.

All other issues pertaining to Appropriation Statement and reporting on approved roll - overs are addressed in the Annexure to MFMA Circular No. 86.

CITY OF MATLOSANA



INDIGENT RELIEF POLICY

**2024/2025
DRAFT**

CITY OF MATLOSANA
INDIGENT RELIEF POLICY

TABLE OF CONTENTS	PAGE
1. PRE-AMBLE	3
2. DEFINITIONS	4-6
3. SOURCE OF INCOME	6
4. STANDARD OF SERVICES	7
5. CRITERIA FOR INDIGENT SUPPORT	7-9
6. LEVEL OF INDIGENT SUPPORT	9-11
7. BURIAL / CREMATION BENEFITS	12-16
8. DISTRIBUTION OF INDIGENT SUPPORT	16
9. APPLICATION FOR INDIGENT SUPPORT	16-17
10. COMMUNITY INVOLVEMENT	17-18
11. CONSEQUENCES IN CASE OF FALSE INFORMATION	18-19
12. REPORTING REQUIREMENTS	19
13. ANNEXURE” A” 1-4	20-24
14. ANNEXURE” B” 1-4	25-27

INDIGENT RELIEF POLICY

1. PRE-AMBLE

One of the main objectives of the Council is to ensure the provision of basic services to the community in a sustainable manner. This objective will however, only be possible within the financial and administrative capacity of the Council. The Council recognizes the fact that the community has a right of access to basic services, but the community also has an obligation to settle their monthly services accounts.

The Council also recognizes the fact that many of the residents can simply not afford the cost of full service provision and for this reason, the Council will endeavour to ensure affordability through:

- Setting tariffs in terms of the Council's Tariff Policy, which will balance the economic viability of, continued service delivery.
- Determining appropriate service levels.

Legal and Constitutional Requirements

The Constitution of South Africa of 4 February of 1997 as amended

Local Government: Municipal Structures Act No. 117 of 1998 as amended

Local Government: Municipal Structures Amendment Act No. 33 of 2000 as amended

Local Government: Municipal Systems Act No. 32 of 2000 as amended

Local Government Property Rates Act No 6 of 2004 as amended

Municipal Finance Management Act No. 56 of 2003 as amended

Water Services Act No. 108 of 1997 as amended

Division of Revenue Act 3 of 2017 as amended

Local Government: Municipal Demarcation Act No 27 of 1998 as amended

2. DEFINITIONS

“Indigents“

Indigents are defined as those people, due to a number of factors, who are unable to make monetary contribution towards basic services, no matter how small the amounts seem to be. Any household, earning less than the amount stated by the financial and fiscal commission from time to time qualify to be registered as an indigent. That the combined gross income of a household for qualification as an indigent be determined as equal or less than the equivalent of two social welfare grants. Examples are pensioners, unemployed, child headed families, and youth headed families.

“Household”

is defined as all adults and children living on a single property. An indigent policy will thus refer to fairly limited set of administrative procedures within the income function for distributing grant support to reduce the municipal account to particular households.

As per the indigent policy, an indigent database refers to a database that The City of Matlosana Local Municipality establishes to register and monitor all households that are categorised as per financial definition of an indigent.

“Basic municipal services”

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

“CFO”

means the Chief Financial Officer of the City of Matlosana Local Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003 as amended

“Child Headed”

means a household where all members are under 18 years as defined in section 28(3) of the Constitution.

“Consumer”

means the owner of the premises to which the council has agreed to supply or is actually supplying municipal services, or if there is no occupier, then the owner of the premises.

“Contracted undertaker”

means a registered undertaker appointed by the Municipality to provide for indigent burials.

“Council”

means-

- a) A municipal council as referred to in section 157 of the Constitution
- b) Matlosana Local Municipality exercising a delegated power or carrying out an instruction, where any power in this policy has been delegated, or sub delegated, or an instruction given as contemplated in section 59 of the Municipal Systems Act, 32 of 2000 as amended;

“Destitute” means extremely poor individuals or family who lack the means to provide for themselves.

“Disabled”

means a household headed by a disabled person. (Physically or Mentally)

“Employed”

means a household earning an income that is below the income as determined below.

“Foreign National” means a non-South African citizen who is in the country legally or illegally.

“Indigent Data Base” means a database that the City of Matlosana Local Municipality has established to register and monitor all households that are categorized as per financial definition of an indigent.

“Municipal Manager”

means the person appointed at Matlosana Local Municipality in terms of section 82(1)(a) or (b) of the Municipal Structures Act as amended.

“Occupier”

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

"Pauper" means a person who died as an unknown, or the body is not claimed, no family or friends could be traced for a period of six weeks to identify the body or bury the deceased person or pay for the burial or cremation of the deceased person.

"Resident" refers to a person who lives in the jurisdiction of the City of Matlosana Local Municipality for a long term period. For the purpose of this policy a resident will be a person who lives in a known address within the City of Matlosana Local Municipality area.

"Unemployed"

means household of which there is no income or income or household income is as determined below

"Verification Officer" means an official, ward committee member, councillor or community liaison officer duly authorized by the municipality to verify the status of an applicant for indigent burial.

3. SOURCE OF INCOME

The Council needs to have access to adequate sources of revenue in order to fulfil its constitutional obligation. The available sources should be fully exploited to meet the development objectives.

Two main sources of income exist.

- Own revenue which is the main source of income to the Council and which is based on the economic costs to render the service required by the community.
- Transfers from other spheres of government of which intergovernmental transfers are the most important. A portion of this income (equitable share) is earmarked for indigent relief, which will be used to alleviate and address poverty.
- As such, the subsidy can only be credited to the qualifying customer's accounts until the amount received by the Municipality from National Government for this purpose has been exhausted, whereupon no further credits will be made, or the level of the credits reduced, until further national funds are received

-

4. STANDARD OF SERVICES

The Council accepts that they are responsible for the rendering of services in terms of schedules 4 and 5 of the Constitution as well as other services, which may be delegated by National and Provincial Government. The Council will endeavour to render a basic standard and level of services necessary to ensure an acceptable and reasonable quality of life and which takes into account health and environmental considerations. None of the residents should fall below the minimum standard of services as is embodied in the Council's Financial Policies.

The Council realizes that in certain circumstances and as a result of past policies, certain services are available to communities, the cost of which are beyond the financial means of such communities, and will through this policy assist those communities within the financial ability of the Council. In each instance, the economic cost to render the services shall be calculated in accordance with the Council's Tariff Policy.

5. CRITERIA FOR INDIGENT SUPPORT

The basic point of departure is that Council will assist, through funds received from National Government; to provide basic services to "poorer" households within the Council's service provision area in this regard no discrimination on any grounds will be allowed.

In order to qualify for financial assistance, the following will apply:

- 5.1. Only registered residential/farm occupied consumers of services delivered by the Council will qualify.
- 5.2. The approval of the Indigent application may only be done by the relevant Ward Councillor or under extreme circumstances the deployed PR Councillor in the absence of the Councilor, subject to the applicant meeting the requirements as per indigent policy.
- 5.3. Should the ward councillor not sign the application form timeously, then the Speaker must intervene, to get the application signed
- 5.4. No residential consumer conducting a business from the residential property, with or without special consent obtained from the Council or with or without existing usage rights, shall qualify for assistance.

- 5.5. Occupants/residents who own more than one property and occupying a house where application is sought will render such application of the owner/occupier invalid.
- 5.6. Occupants who are approved for indigent assistance, may not apply to do business Council, as they cannot afford to pay his/her municipal services.
- 5.6. Where a tenant is renting a property, or receiving accommodation for free, from an owner of a house, fully motivated applications and proof, together with a sworn affidavit from the owner or verification from the ward councillor must be submitted, if the owner is not accessible
- 5.7. Where the registered owner or occupant is deceased and **underage children** of the deceased are residing in the house, the **relevant documentation** to this effect must be produced.
- 5.8. The account holder must apply in person and **must present the following documents** upon application:
 - 5.8.1. The latest municipal account in his/her possession.
 - 5.8.2. The latest prepaid electricity slip with the prepaid meter number to verify the prepaid meter number. Once approved as an indigent, the applicant will produce the latest prepaid electricity slip with the prepaid meter number for verification. If the applicant is not on prepaid, the applicant must be converted to prepaid electricity immediately at the cost of the municipality.
 - 5.8.3. Account holder's South African identity document.
 - 5.8.4. Pension certificates and/or card /or affidavit
 - 5.8.5. Proof of income (if any)
 - 5.8.6. Information of other individuals residing with the applicant.
- 5.9. Only households where the total household income is less or equal to R4 400.00 (Four thousand four hundred rand) per month may apply for indigent support. This threshold is informed by two (2) old age pensioners grant combined as tabled annually on the budget speech by the Minister of Finance.
- 5.10. Every applicant must complete an application agreement. This agreement must include an affidavit and a customer profile of the household.
- 5.11. An approved indigent subsidy is valid for a period of five years or until Council decides to cancel all previous applications and indigents will have to renew their applications, or as soon as the circumstances have changed of an indigent debtor, on an annual basis based from the approval date of the application. Approved

applicants from previous financial years will automatically qualify for this extended period. It is the applicants responsibility to inform Council of the change of their circumstances

- 5.12. No pensioner indigents, whose indigent subsidy has been approved from the preceding financial year, need to reapply for the subsidy, as it is automatically approved. Pensioners only need to verify that they are still alive.
- 5.13. All indigent applicants give permission that an ITC check may be done on them to verify their claimed indigent status if needed. Failure thereof will cause the application not to be considered and approved. Consent form from COGTA will be included with the application form.
- 5.14. No debt collection or credit control measures will be instituted against an indigent household, so long as consumption over and above the free usage is paid in full and other outstanding levies not written off due to previous write-offs are also paid in full.

6. LEVEL OF INDIGENT SUPPORT

6.1. The level of indigent support will be as follows:

6.1.1 Water:

6.1.1.1. Usage: An indigent subsidy amount equal to the value of 6kl water and thereafter normal tariffs will apply which is payable by the Indigent consumer. Any unused consumption less than 6kl per month will not be rolled over to the following month.

6.1.1.2. Basic Fees: A subsidy amount equal to the value of the basic fees as determined by the water tariffs.

6.1.2. Refuse removal:

Removal once (1) a week of 85 or 240 litre container: Free of charge per month.

6.1.3. Sewerage:

Cost of drainage basic charge plus additional sewerage charge per dwelling house: Free of charge per month.

6.1.4. Electricity:

6.1.4.1. Usage - A maximum indigent subsidy of 50 kWh free of charge and thereafter-normal tariffs will apply which the Indigent consumer must pay.

The FBE tokens must be collected in the current month only and cannot be carried forward on the next month.

- 6.1.4.2. Basic Fees: An indigent subsidy amount equal to the value of the basic fees as determined by the electricity tariffs.

6.1.5 Debt Collection and Credit Control Measures

No debt collection or credit control measures will be instituted against an indigent household, so long as consumption over and above the free usage is paid in full and other outstanding levies not written off due to previous write-offs are also paid in full.

6.1.6 Free Basic Alternative Energy

Those indigent South African consumers who do not have access to electricity qualify for alternative energy sources. According to the National Policy for Indigents, free basic alternative energy may be utilised as one of the core sources for alternative energy. It must be noted that the applicants must be in an area where numbers of persons reside and not individual applicants.

The application form is attached as annexure “B”. These consumers will qualify for;

6.1.7 Property Rates:

100% of the rates as subsidized by the Property Rates Policy will be subsidized for indigent residents. The gross total household income of the residential property may not exceed or equal than R4 400.00 (Four thousand four hundred rand).

6.1.8 Assistance with water meter leaks

The council via water department will assist indigents with plumbers to attend water meters' leaks.

6.2 METERED SERVICES

- 6.2.5 Where a consumer who is classified and approved as an indigent in terms of Council's policy, exceeds an average usage of 450kWh conventional

electricity over a three-month period, a pre-paid electricity meter may be installed, without the consumers' consent.

6.2.6 Where a consumer who is classified and approved as an indigent in terms of Council's policy exceeds an average usage of 20 kl over a three months' period, Council may install a water restriction device without the consumers' consent.

6.2.7 These installations are at Councils cost from the equitable share from National Government. Indigent consumers are obligated to comply with these installations. Should the consumer fall into arrears the prepaid electricity may be disconnected.

6.2.8 The Council via the Inter-Governmental Grants shall finance the transfer from a conventional electricity meter to a prepaid electricity meter and the installation of a water restriction device.

6.2.9 The level of support to indigent consumers on the replacement of stolen service (consumer) cables be limited to one replacement free of charge and thereafter the indigent consumer be liable for replacement thereof.

6.2.10 That the level of support to indigent consumers for replacement of meter and ready board when a house is damaged through fire, one time free of charge, and thereafter the consumer be liable for the replacement of the meter and/or ready board.

6.3 It may happen that even with the introduction of the indigent policy, certain households may fall into arrears in respect of the amounts due by them. The property owner or accountholder concerned will have to make immediate arrangements with the municipal manager, or his/her nominee, to pay off these arrears within a reasonable time determined by the municipal manager in terms of the Municipality's Credit Control and Debt Collection Policy. If these arrangements are not made, no subsidies will be paid or free services provided, and services may be terminated in terms of the municipality's credit control and debt collection policy.

In all instances, the actual indigent support shall be calculated taking due cognisance of the amount received, the number of applications received and the standard and level of services.

7 BURIAL / CREMATION BENEFITS

7.1 LEGISLATION THAT GOVERNS BURIALS

The Health Act No 63 Of 1977 as amended, article 48 states: -

The removal and burial of dead a body within the jurisdiction of the municipality is the responsibility of the municipality, subject to the provisions of the Inquest Act, 1959 and the said Births, marriages and Deaths Registration Act, 1963 and whether or not any direction under subsection (1) has been issued, Responsibility for the removal and burial of the dead body which is unclaimed or which no competent person undertakes to bury and does bury and for the payment of all costs entailed thereby, shall devolve upon the local authority of the district in which the dead body is at the time when necessity of removal thereof first arise, save in the case of a person who has died in hospital or other institution, in which case such responsibility shall devolve upon the responsible authority of such hospital or institution.

7.2 REQUIREMENTS

- 7.2.1. The Municipality will bury an indigent person upon evidence that they are bona fide residents within the jurisdiction of the City of Matlosana Local Municipality, provided they are buried within the municipal jurisdiction.
- 7.2.2 The deceased should have died at home. The City of Matlosana will not pay for a person that died at the hospital as the hospital has its own funding for indigent burial.
- 7.2.3 Indigent burials are conducted during the week from Monday to Sunday.
- 7.2.4 The burial can only be conducted after the order has been issued from Health Services to access a grave from Community services (cemetery section).
- 7.2.5 In case whereby the undertaker received a decomposed corpse, the corpse should be buried as soon as possible, prior arrangements should be made with Health Service for urgent burial.
- 7.2.6 The municipality reserves the right to refuse to pay the cost of indigent burial/cremation in instances where evidence provided indicated that the family

may have been in a position to afford its own burial or in instance where the municipality was misinformed and requirements not met.

7.3 PROCEDURE FOR INDIGENT BURIAL APPLICATIONS:

7.3.1. Any member or family, or foreign national residing in Matlosana, of a registered indigent who resides within the municipal area of the City of Matlosana and provision will be made for those that are not registered but meet all other criteria for burial benefit who applies for indigent burial assistance will be required to submit of the following documents as proof:

- Applicant's Identity document SA green barcoded ID or ID Card
- Deceased's Identity document SA green barcoded ID or ID Card
- Death certificate of the deceased
- Certified copy of death notification BI 1663
- Proof of registration of indigent subsidy from the municipalities Finance OR a motivation letter from Ward Councillor in the case of informal settlement or farms.
- Affidavit by South African Police Services (SAPS) as proof by the family member or relative declaring that they cannot afford to bury / cremate the deceased due to a lack of income
- Indigent persons who reside in a temporary structure on a consumer's property will also qualify for Indigent Burial Benefits under the following conditions:
 - The owner of the property must provide an affidavit that the person resides on the property and that they are indigent.
 - Only the ward councillor may verify and approve the affidavit of the owner stating that the person resides on the property and that they are indigent.

7.3.2. The Municipality will incur the costs relating to the transport within the jurisdiction of Dr Kenneth Kaunda District Municipality to a mortuary, according to SARS travelling rates, a standard coffin, and cost for the grave. No relative or friends have any claim against the Municipality whatsoever.

- 7.3.3. The family or relative of the deceased buried as an indigent will be allowed to erect a tombstone on the grave after 90 days of burial, at their own expense.
- 7.3.4. The next of kin will receive the reservation certificate and grave number upon a written request.
- 7.3.5. Services to registered indigent households that have in terms of the credit control policy, been restricted, removed, or disconnected will be temporarily re-instated for a period of 14 days to cater for the funeral. The cost of re-instatement of services will be debited to his/her municipal services account.
- All requests for indigent burial / cremation will be referred to and considered by the City of Matlosana Health Services Department only.
- 7.3.6. Burials will be conducted from Monday to Sunday.
- 7.3.7. Burial and arrangements will be concluded according to specifications as determined by Council.
- 7.3.8. The contracted funeral undertaker will bury the deceased closest to the area of residence of the deceased, but within the boundaries of the City of Matlosana.
- 7.3.9. All indigent burials from Klerksdorp/ Tshepong Hospital Complex will be attended to by a designated official of said hospital.

7.3.10. THRESHOLDS

The thresholds that are payable are as follows, and shall increase annually subject to Council approval with annual budget

AGE OF BENEFICIARY	TOTAL COSTS 2024/2025 (Mortuary Costs & Coffin & Grave)
0-3 Years (Including stillborn)	R 3 464.00
Adults	R 7 062.00
Oversized adults	R 8 976.00
Cremations	R 8 971.00
Exhumations	R 8 612.00

7.4. LIST OF EXCLUSIONS

The following is a list of exclusions from benefits:

- 7.4.1. A non-resident who died outside the jurisdiction of the Matlosana municipality
- 7.4.2. Other related items: flowers and catering, Flowers, Tent Chairs.
- 7.4.3. Indigent families, who have a funeral plan or life insurance cover for the deceased, will be required to declare such cover and will not be eligible for the subsidized burial, unless confirmation in writing by the Ward Councilor is submitted regarding limited affordability to bury the deceased.
- 7.4.4. The municipality reserves the right to refuse to pay the costs of an indigent burial/cremation in instances where evidence indicates that the family may have been in a position to conduct its own burial or in instance where the municipality was misinformed. These costs will be recovered in such instances from the responsible person.

8. DISTRIBUTION OF INDIGENT SUPPORT

Indigent relief will only be granted to those residents who applied for assistance, qualified in accordance with criteria as determined, and will be applied as follows:

- 8.1. The qualifying recipients of the indigent relief will receive a monthly account indicating that no charges were raised for services as set out Clause 5(i).
- 8.2. The qualifying recipients will also receive a monthly free prepaid electricity token for 50 kWh if a prepaid meter has been installed.
- 8.3. The qualifying recipients who fall under the alternative energy subsidy will receive two single plate paraffin stoves and two paraffin lamps, one paraffin pump once a year and one 2.5kg fire extinguisher and once off. Recipients, who requalify in the subsequent financial years and have received this item, will not be issued with another fire extinguisher, which the City of Matlosana will maintain and refill as required by the Health and Safety act 85 of 1993 as amended. It will be the recipients' responsibility to keep the City of Matlosana informed of this regard.
- 8.4. Thereafter they would receive 20 litres of paraffin per month for the utilisation of the alternative energy.

The Council undertakes to advertise the existence of the indigent relief program on an annual basis with the budget consultations process.

9. APPLICATION FOR INDIGENT SUPPORT

9.1 The application form attached as annexure “A” will apply.

9.2 All residents complying with the criteria may apply for indigent relief.

9.3 No retrospective applications will be considered

9.4 All applications must be made on the prescribed form and all additional information must be supplied (together with documentary proof where required).

9.5 The onus is on the account holders to apply for support.

9.6 The completed application will be forwarded to the Ward councillor or under extreme circumstances to the deployed PR Councillor for verification in the absence of the ward councillor.

9.6.1 The indigent support will only be effected after the verification of the application by the Ward Councillor or under extreme circumstances the deployed PR Councillor for verification in the absence of the ward councillor and will become effective within a maximum of two months or less after approval.

9.7 Debtors who qualify and become registered as indigent, will have their arrears, excluding tampering fines, written off only once upon registration approval during ownership/occupation of the property and will be subject to the items below, should it become known that false information was submitted with their application. Tampering fines may be paid off according to Councils Customer Care, Debt Collection, and Credit Control Policy

9.8 Indigent Consumers must take note that when a consumer has been registered as an Indigent and a write off of arrears has been done, no further write offs of arrears with the renewal of an Indigent subsidy will be allowed in the subsequent years

9.9 No property may be sold by the indigent consumer within a time frame of 12 months, after any write offs have been done, should this occur then the new owner will be held liable to pay the amounts that have been written off. The amount written

off will be reversed by the Rates Section and included in the debtor's account before issuing the clearance figures for the Rates clearance certificate as follows

- Indigent section will reverse the write-off amount into the municipal account of the seller and he/she will be held liable to pay the amounts that have been previously written off,
- Indigent Section will cancel/suspend Indigent subsidy on the seller's municipal account for future subsidy benefit.
- Indigent Section will change debtor type of the seller's municipal account from indigent to household (residential),
- When above conditions are met, Rates Section will proceed with procedures to issue clearance figures for the Rates clearance certificate.
- The following cases are examples to be exempted from 8.10,
 - Insolvent estate,
 - Deceased estate (Inheritance) and etc.
 - Transfer to wife or husband through estate

9.10 Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of a change in circumstances within the household:

9.10.1 The indigent support will be stopped immediately.

9.10.2 The recipient will be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumers account.

9.10.3 Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.

9.10.4 Criminal charges may be instituted against the account holder for supplying false information.

The replacement of stolen cables of Indigent consumers will only be done twice. Further costs are for the consumer.

10. COMMUNITY INVOLVEMENT

The Council relies on the community's participation in applying for indigent relief and it is a priority of all Councillors to ensure that indigent consumers are registered.

Council will be furnished with a report on a basis as determined by Council indicating:

10.1. The financial implications of the indigent support program

10.2. A schedule of the progress of the indigent registrations

The above is also available to the public for general notice and can be reported by the public to Council by means of sworn affidavits of the false information.

A reward of R500 or as determined otherwise by Council, per case after investigation and proof of guilt will be paid to any person who reports the misuse of the indigent subsidy.

The community must be informed of such rewards by means of notices at all pay points and other notice boards of Council, by Councils Communication Section.

11. CONSEQUENCES IN CASE OF FALSE INFORMATION

Should it be established that a recipient of indigent relief has supplied the Council with false information or not informed the Council of any change in circumstances within the household:

11.1. The indigent support will be stopped / cancelled immediately.

11.2. The recipient will be liable for the repayment of all indigent support received for the period involved which amount will be debited against the consumer's account.

11.3. Normal credit control in accordance with the Council's Credit Control and Debt Collection Policy will apply.

11.4. Investigations may be made with Insurances companies or any other institutions to determine if there are "Burial Policies" which are relevant to the indigent burial benefits.

11.5. Criminal charges will be instituted against the account holder, official, or councillor for supplying false information.

12. REPORTING REQUIREMENTS

The municipal manager or his nominee shall report on a basis as determined by Council on the below information accumulatively for the financial year to date following:

12.1 the number of households registered as indigents.

12.2. the monetary value of the actual subsidies and rebates granted.

- 12.3. The number of households registered for Free Basic Alternative Energy.
- 12.4. the budgeted value of the subsidies and rebates concerned; and
- 12.5. The above information accumulatively for the financial year to date.

Contact details for indigent office are as follows: 018 487 8608

CITY OF MATLOSANA
INDIGENT APPLICATION FORM 2024/2025

ANNEXURE "A"1

SECTION A – ACCOUNT INFORMATION:

APPLICATION NUMBER: _____

Account Name:	Date of application:
Account Number:	Address:
Erf no:	
Council/Eskom Pre-paid meter number:	Ward Number:

SECTION B - TERMS AND CONDITIONS:

- Only households where the total household income is less or equal to R4 400.00 (Four thousand four hundred rand) per household of Councils policy may apply for support.
- External verification will be done using the ITC as well a physical audit to confirm the household financial status. Upon signing this application, the consumer gives consent to such checks.
- False information or the withholding of information will disqualify anyone from further participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- No property may be sold by the indigent consumer within a time frame of 12 months, after any write offs have been done, should this occur then the new owner will be held liable to pay the amounts that have been written off.
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- The City of Matlosana reserves the right to collect any outstanding debts on the account by means of the pre-paid services, in a portion not excessive in relation to the purchases made by the accountholder.
- That City of Matlosana may issue my Free Basic Electricity (50 units) via my cell phone

I, hereby declare that I am the **registered owner/lessee** of the above erf/stand and that the said property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood, and accepted the terms and conditions stated above. I also give my permission that a credit check may be done on my details to determine the validity of my information and that my indigent status may be listed at an ITC institution.

I/we*, the undersigned Applicant(s), hereby give consent to SARS to disclose my/our information to the Municipality [name of municipality] and the National Department of Cooperative Governance (COGTA) for purposes of verifying the details of my/our income levels that I/we* have disclosed to the Municipality in support of my/our* application for a municipal indigent grant.

Declared and signed at..... On the day of 20.....

.....
NAME OF APPLICANT (BLOCK LETTERS)

.....
NAME OF INTERVIEWER (BLOCK LETTERS)

.....
SIGNATURE OF APPLICANT

.....
SIGNATURE OF INTERVIEWER

The application **must** be accompanied with copies of the applicants:

- | | |
|--|---|
| ➤ Municipal account | ID document |
| ➤ Proof of income / pension certificates | Individuals residing with the applicant |

SECTION B - PERSONAL INFORMATION:**ANNEXURE "A"2**

Surname:										Other Names:									
Residential Address:										Postal Address:									
Contact Number / Cell phone number										Marital Status: (Mark with an X)									
										Married		Single		Divorced		Widowed			
Husband:										Wife:									
Birth date:										Birth date:									
D	D	/	M	M	/	C	C	Y	Y	D	D	/	M	M	/	C	C	Y	Y
ID number:										ID number:									
Pension number:										Pension number:									

**SECTION C
INDIVIDUALS RESIDING WITH THE APPLICANT**

NAME	SURNAME	RELATIONSHIP	ID NUMBER	INCOME

SECTION D – FINANCIAL INFORMATION

Details of Gross Monthly Income (in Rand)					
	Husband	Wife	Children living with parents	Other	TOTAL
a) Salary	R	R	R	R	R
b) Wage	R	R	R	R	R
c) Pension : Employer	R	R	R	R	R
Disability	R	R	R	R	R
Old Age	R	R	R	R	R
d) Board / Rental	R	R	R	R	R
e) Child support	R	R	R	R	R
f) Informal / Casual work	R	R	R	R	R
g) Other	R	R	R	R	R
Total Gross Monthly Income					

ANNEXURE "A"4

Name (BLOCK LETTERS)

OFFICE USE ONLY:

SECTION E - CHECKLIST:

	Please Tick
ID document	
Documentary proof of total gross income of household namely account holder, spouse, and persons older than 18 years of age (including children) residing on the premises.	
List of all residents on premises . (Ages must be specified, and copies of Identity Documents attached).	
Proof of pension/grants.	
Proof of unemployment. Department of Labour and/or unemployment insurance certificate, original letter of religious leader to confirm unemployment and sworn affidavit by applicant.	
Birth certificates / ID documents of dependent children and or a court order that confirms guardianship.	
If owner of motor vehicle , full particulars as well as means of finance .	
Latest municipal rates and services account .	
Copy of Prepaid electricity slip	
Does the applicant own or rent other properties	

Approved		Declined		Date:	
Reason if declined:					
Date of letter to applicant:					
Name of official:					

**CITY OF MATLOSANA 2024/2025
INDIGENT APPLICATION FORM FOR RURAL DEVELOPMENT PROGRAMME**

SECTION A – ACCOUNT INFORMATION:

ANNEXURE “B”1

Farm Name:	Date of application:
Farm Owner:	Farm /Plot Address:
Erf no:	
Council/Eskom Pre-paid meter number:	Ward Number:

SECTION B - TERMS AND CONDITIONS:

- Only households where the total household income less or equal to R4 400.00 (Four thousand four hundred rand) will qualify.
- Only one person per household may apply and receive Free Basic Alternative Energy (two dwelling in the same yard will receive one supply)
- External verification may be done using the ITC as well as physical audits to confirm the household’s financial status. Upon signing of this application, the consumer gives consent to such checks.
- False information or the withholding of information will disqualify anyone participation in the subsidy scheme, with the liability of immediate repayment of all allocations received plus interest and the risk of possible criminal proceedings being instituted;
- Should the gross income of a household increase and thereby exceed the approved limit during the subsidy time period (Increases, no longer unemployed), the registered consumer must immediately inform the municipality. Failure to comply could result in the repayment of all allocations plus interest and the risk of possible legal steps being instituted.
- The information contained in this document is not confidential. A list of approved applicants can be handed to councillors for comments, as well as publicly displayed.
- That Matlosana City council may issue my Free Basic Alternative Energy via the service provider

I, hereby declare that I am the **registered owner/lessee** of the above erf and that the said property is inhabited and controlled by me. I further declare that I fully realize that should any of the above information be found to be incorrect or false, I shall be responsible for the repayment of any allocation received plus interest, as well as any debt written off, and I acknowledge that legal steps for the fraudulent declaration, could be instituted against me. I confirm that I have read, understood and accepted the terms and conditions stated above. I also give my permission that a credit check may be done on my details to determine the validity of my information and that my indigent status may be listed at an ITC institution.

I/we*, the undersigned Applicant(s), hereby give consent to SARS to disclose my/our information to the Municipality [name of municipality] and the National Department of Cooperative Governance (COGTA) for purposes of verifying the details of my/our income levels that I/we* have disclosed to the Municipality in support of my/our* application for a municipal indigent grant.

Declared and signed aton the day of 20.....

.....
NAME OF APPLICANT (BLOCK LETTERS)

.....
NAME OF INTERVIEWER (BLOCK LETTERS)

.....
SIGNATURE OF APPLICANT

.....
SIGNATURE OF INTERVIEWER

The application **must** be accompanied with copies of the applicants:

- Letter from farm owner / Letter of oath
- ID document
- Proof of income / pension certificates

SECTION C - PERSONAL INFORMATION:**ANNEXURE "B"2**

Surname:										Christian Names:											
Residential Address:										Postal Address:											
Contact Number / Cell phone number										Marital Status: (Mark with an X)											
										Married		Single		Divorced		Widowed					
<u>Husband:</u> Birth date:										<u>Wife:</u> Birth date:											
D	D	/	M	M	/	C	C	Y	Y	D	D	/	M	M	/	C	C	Y	Y		
ID number:										ID number:											
Pension number:										Pension number:											

SECTION D – FINANCIAL INFORMATION

Details of Gross Monthly Income (in Rand)					
	Husband	Wife	Children living with parents	Other	TOTAL
a) Salary	R	R	R	R	R
b) Wage	R	R	R	R	R
c) Pension : Employer	R	R	R	R	R
Disability	R	R	R	R	R
Old Age	R	R	R	R	R
d) Board / Rental	R	R	R	R	R
e) Child support	R	R	R	R	R
f) Informal / Casual work	R	R	R	R	R
g) Other	R	R	R	R	R
Total Gross Monthly Income					

Do you own or rent other property except the one above: YES / NO

ANNEXURE "B"4

Name (BLOCK LETTERS)

Name (BLOCK LETTERS)

OFFICE USE ONLY:

SECTION E - CHECKLIST:

	Please Tick
ID document	
Documentary proofs of total gross income of household namely account holder, spouse, and persons older than 18 years of age (including children) residing on the premises.	
List of all residents on premises . (Ages must be specified, and copies of Identity Documents attached).	
Proof of pension/grants.	
Proof of unemployment. Department of Manpower and/or unemployment insurance certificate original letter of religions leader to confirm unemployment and sworn affidavit by applicant.	
Birth certificates / ID documents of dependent children as well as a court order that confirms guardianship.	
If owner of motor vehicle , full particulars as well as means of finance .	
Latest municipal rates and services account .	
Copy of Pre-paid electricity slip	
Have you asked the applicant if he has or rents other properties	

Approved		Declined		Date:	
Reason if declined:					
Date of letter to applicant:					
Name of official:					

CITY OF MATLOSANA



INVESTMENT & CASH MANAGEMENT 2024/25

PREAMBLE

Whereas section 13 of the Local Government: Municipal Finance Management Act, 2003

(Act No. 56 of 2003) determines that a municipality must introduce appropriate and affective investment arrangement;

And whereas a municipality must disclose its investment details;

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 City of Matlosana adopts the following Investment Policy:

TABLE OF CONTENTS

1.	LEGISLATIVE REQUIREMENTS	3
2.	DISCUSSION	3
3.	INVESTMENT OBJECTIVES	3
4.	DEFINITIONS	3
5.	SCOPE	4
6.	ROLE CLASSIFICATION	4
7.	DELEGATION	4
8.	ADMINISTRATION	5
9.	PERMITTED INVESTMENT	5
10.	PROHIBITED	5
11.	INVESTMENT ETHICS	6
12.	DELEGATION OF AUTHORITY	6
13.	USE OF INDEPENDENT INVESTMENT MANAGER	7
14.	CASH MANAGEMENT	7
15.	BANK AND CAHS INTERMS OF THE LOCAL GOVERNMENT	8
16.	INVESTMENT PROCEDURE	9
17.	PRUDENTIALS	10
18.	PAYMENT OF COMMISSION	10
19.	RECORDS AND REPORTS	10
20.	PORTFOLIO DIVERSIFICATION	11
21.	RELATIONSHIPS WITH FINANCIAL INSTITUTION	12
22.	MISCELLANEOUS PROVISIONS	12
23.	INDEMNIFICATION OF INVESTMENT OFFICIALS	12

1. LEGISLATIVE REQUIREMENT

Section 13(1) and (2) state that the Minister, acting with the concurrence or the Cabinet member responsible for local government, may prescribe a framework within which municipalities must-

- (a) Conduct their cash management and investments; and
- (b) Invest money not immediately required.

(2) A municipality must establish and appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1)

2. DISCUSSION

The purpose of this policy is to establish a formal investment and cash management policy within the Investment of funds made in compliance with MFMA and Municipal Investment Regulations prescribed by the Minister of Finance on the 1st April 2005 in a government Gazette No. 27431. Another purpose is to secure the sound and sustainable management of the Municipality's cash and investments.

3. INVESTMENT OBJECTIVES

The primary objective of all investments will be based on a proper risk analysis before any investment is made. The secondary objective is the investment made shall be met by the liquidity of the council. The third objective shall be to achieve the maximum return as possible after the primary and secondary objectives are fulfilled.

4. DEFINITIONS

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

“Financial institution” means Banks, Public Investment Commissioners as contemplated by the Public Investment Commissioners Act, 1984 (Act No. 45 of

1984); Corporation for Public Deposits as contemplated by the Corporation for Public Deposits Act, 1984 (Act No.46 of 1984); and any other legal brokers and dealers of the financial instruments.

“Investee” means an institution with which an investment is placed, or its agent;

“Investment officer” means an official who is delegated by the Chief Financial Officer (CFO), in accordance with the Act, to handle the Council's investments.

“Investment manager” means a natural person or legal entity that is a portfolio manager registered in terms of the Financial Markets Control Act,

1989 (Act No. 55 of 1989), and Stock Exchanges Control Act, 1985 (Act No. 1 of 1985), contracted by the Council entity to –

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

“Trust money” means money held in trust on behalf of third parties in a trust contemplated in terms of section 12 of the Act.

"Analysis" means that the overall value of funds shall not be diminished in the process of securing and investing those funds during the duration of the investments.

“Liquidity” means that funds shall be made available to meet all anticipated obligations and a prudent reserve shall be kept available to meet unanticipated cash requirements. Availability has two elements, namely liquidity and the scheduling of cash flows. Liquidity is the ability to transform an investment into cash on short notice at its prevailing market value. Scheduling of cash flows means that investments are to mature or are to be transformed into cash in parity with the anticipated cash requirements.

“Achieve a return” means to earn the optimum interest/income from funds proportionate to the objectives of safety and availability of the principle investment. At no time shall funds be invested in any security that could result in zero interest accrual if held to maturity.

5. **SCOPE**

This investment policy applies to all investments. Investment income and interest will be allocated according to the requirements of Generally Accepted Municipal Accounting Practices and Generally Recognized Accounting Practices.

6. **ROLE CLARIFICATION**

The Accounting Officer as an Accounting Officer remains the overseeing authority over all investments that has been made on behalf of the Council. The CFO must perform the cash Management and investment of funds as prescribed in Section 81 (e) of the Act and the delegation authority of the council as prescribed in Section 60 (2) of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).

7. **DELEGATIONS**

The CFO may delegate the cash management and investment responsibility to either his deputy or to the assistant directors as prescribed in Section 82 (1) of the Act.

8. ADMINISTRATION

The Investment Committee will meet at least once a quarter to review and

evaluate previous investment activity and yield, to review the current status of

all funds held by the City of Matlosana, to discuss anticipated cash requirements and investment activity for the future, and to determine an investment strategy.

Any two members of the Committee may call a special meeting and two members shall constitute a quorum.

9. PERMITTED INVESTMENTS

As prescribed in a Municipal Investment Regulation No.6 issued by the Minister of Finance, the permitted investments are as follows -

- (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 Bank 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 for Public Deposits Act, 1984 (Act No. 46 of 1984);
- (f) bankers acceptance certificates or negotiable certificates of deposit of banks registered in terms of the Banks Act, 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 a municipality; and
- (j) any other investment type as the Minister may identify by regulation in terms of section 168 of the Act, in consultation with the Financial Services Board.

10. PROHIBITED INVESTMENTS

The Council shall not be permitted to make the following investments:

- (a) investments in listed or unlisted shares, or unit trusts
- (b) investments in standalone derivative instruments
- (c) investments denominated in, or linked to, foreign currencies
- (d) investments in market linked endowment policies

The Council shall not borrow for the purpose of investing.

11. INVESTMENT ETHICS

- (a) The Accounting Officer; Chief Financial Officer or their delegate are responsible for the investment of funds and must ensure that there is no interference in these processes.
- (b) 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 relationship with the said institution.
- (c) The gift must be declared to their Superior.

The Accounting Officer, Chief Financial Officer or their delegate must act according to their discretion and must report any serious cases of payment in kind or gifts, to the Municipal Council. Excessive gifts and hospitality should be avoided at all costs.

11.1 RISK MANAGEMENT

The preservation of principal is the foremost objective of the investment program. To attain this objective, diversification is required to ensure that the Accounting Officer or their nominee prudently manages risk exposure. Risk profiles should be minimized by only placing investments with institutions and instruments approved by the Public Investment Commission or the Republic of South Africa: National Minister of Finance.

11.2 Investment shall be made with care, skill, prudence and diligence. The approach must be that which a prudent person acting in a like capacity and familiar with investment matters would use in the investment of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Municipality. Investment officials are required to:

- (a) adhere to written procedures and policy guidelines
- (b) exercise due diligence
- (c) prepare all reports timeously
- (d) exercise strict compliance with all legislation

12. DELEGATION OF AUTHORITY

The delegation to authorise investments must distinguish between short-term & long-term investments as provision of security is vested with the Municipal Council in terms of Section 48 of the MFMA and with reference to section 11(1) (h) of the MFMA dealing with cash management, the responsibility to make short investments lies with the Accounting Officer or Chief Financial Officer or any other senior financial officer authorised by either the Accounting Officer or the Chief Financial Officer/relevant assignee.

The Local Government Municipal Systems Act of 2000, Section 3, (60) (2) states that the Municipal Council may only delegate to an Accounting

Officer, Executive Committee or Executive Mayor or Chief Financial Officer decisions to make investments on behalf of the municipality within a policy framework determined by the Minister of Finance.

The Chief Financial Officer must ensure that a bank, insurance company or other financial institution, which at the end of a financial year holds, or at any time during a financial year held, an investment for the municipality must:

- Promptly disclose information regarding the investment when so requested by the National treasury or the Auditor-General
- Promptly disclose information of any possible or actual change, in the investment portfolio, that could or will have a material adverse effect.

13. USE OF INDEPENDENT INVESTMENT MANAGERS

Should the need arise to use an investment manager at the cost of Council; one will be appointed using Supply Chain Management principles and practices.

14. CASH MANAGEMENT

The Chief Financial Officer, inter-alia, has to ensure financial viability and sustainability of the municipality. In order to achieve this in a sustainable manner, the Chief Financial Officer must ensure that internal financial systems and controls are in place that will enable the Municipality to detect mismanagement of funds.

Availability of cash is one of key requirements for financial sustainability for any organisation. Accumulated surplus is not an indicator of available cash and should not be seen as having a direct correlation with surplus cash.

One of the first and most important issues that must be borne in mind is that financial statements of municipalities are compiled on the accrual basis (GRAP accounting standards used as basis of compilation) and not on the cash basis as Provincial and National Government. In the past the accrual basis was used, but fund accounting was applied and not GRAP. This change in accounting basis led to the accumulation of larger than expected accounting surpluses with little or no relation to cash reserves.

Cash Management will include all amounts disclosed on the financial statements on the following line items:

- 14.1 Investments (Long Term and Short Term)
- 14.2 Cash and Cash Equivalent
- 14.3 BANK ACCOUNT ADMINISTRATION

14.3.1 The Accounting Officer or delegated nominee is responsible for the administration of the municipality's bank accounts including the

opening of the bank accounts, the designation of the primary bank account and all banking and withdrawal procedures. The bank account may only be managed in accordance with any auditing requirements as well as any legal requirements including as prescribed in the Local Government: Municipal Finance Management Act, 2003 and in particular Chapter 3 of the Act as well as section 64 of the Act.

14.3.2 The Accounting Officer may delegate the duties attached to the administration of the bank accounts as per paragraph 11 of this policy.

14.3.3 The Accounting Officer, in conjunction with the Chief Financial Officer (CFO) is responsible for the effective and efficient management of the council funding, namely-

14.3.3.1 The municipality must open at least one bank account in the name of the municipality

14.3.3.2 The municipality may not open a bank account –

14.3.3.2.1 abroad;

14.3.3.2.2 with an institution not registered as a bank in terms of the Banks Act, 1990 (Act 94 of 1990); or

14.3.3.2.3 otherwise in the name of the municipality.

14.3.3.2.4 ensure that its funding always has sufficient money for appropriated expenditure and direct charges to meet the progressive cash flow requirements.

14.3.4 Bank account requirements, guidelines and regulations in terms of sections 7, 8, 9, 10 and 11 of the MFMA are adhered to.

14.3.5 Ensure that the Municipality accounts daily for the cash movements of all bank accounts in the financial records.

14.3.6 The Accounting Officer, in conjunction with the CFO are responsible for establishing systems, procedures, processes and training and awareness programmes to ensure efficient and effective banking and cash management for the treasury and budget offices.

14.3.7 Sound cash management would include –

14.3.7.1 collecting revenue when it is due and banking it promptly;

14.3.7.2 making payments, including transfers, no earlier than necessary, with due regard for efficient, effective and economical programme delivery and the municipality's normal terms for account payments;

15. BANK AND CASH IN TERMS OF THE LOCAL GOVERNMENT:

MUNICIPAL FINANCE MANAGEMENT Act N0.56 of 2003, Chapter 3, Part 1

- All names of bank accounts must be changed to the name of the newly created municipality,
- New bank accounts must be opened if required,
- All cheques received from the disestablished municipalities must be banked,

- All bank accounts currently held and transferred to the municipality must be accounted for in the new accounting system,
- The official responsible must ensure that the name change on the accounts has been effected,
- All bank and cash must be made in terms of Cash Management Policy
- Every municipality must open and maintain at least one bank account in the name of the municipality and
- All money received by a municipality must be paid into its bank account in the name of the municipality as per the above mentioned legislative framework

16. INVESTMENTS PROCEDURE

- (a). Quotations should be invited from at least three financial institutions for the term for which the investment is to be placed. In the event of one of the financial institutions offering a more beneficial rate for an alternative term, the other institutions invited to quote should be approached for their rates on the alternative term.
- (b) It is acceptable to obtain telephonic quotations, when placing funds.
- (c) The person responsible for calling for quotations from institutions should note the name of the institution, the person who has given the telephonic quote and the terms and interest applicable, e.g. whether interest is payable monthly or on maturity.
- (d) Having obtained the necessary number of quotations, the decision needs to be made regarding the best terms offered and the institution with whom the investment is to be placed. The investment objectives must be kept in mind.
- (e) An investment may only be made if it is denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any foreign currency.
- (f) The above procedure should be followed for any investment irrespective of the duration of the investment.
- (g) All investments made by an investment officer, or by an investment manager on behalf of the Council, must be in accordance with this investment policy.
- (h) All investment documents will require two signatories, namely the Chief Financial Officer or his delegated official and one other senior official in the budget and treasury office. Specimen signatures must be held by all institutions that the Municipality deals with.

17. PRUDENTIAL'S

- (a) Investments must be made with such judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs;
- (b) May not be made for speculation but must be a genuine investment; and
- (c) Must in the first instance be made with primary regard being to the probable safety of the investment, in the second instance to the liquidity needs of the municipality and lastly to the probable income derived from the investment.
- (d) Employees involved in the investment process should refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees who handle the investments should disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.
- (e) Investment officers should avoid any transactions that might impair public confidence in the City of Matlosana.

18. PAYMENT OF COMMISSION

- (a) No fee, commission or other reward may be paid to a councillor, manager or any official of the municipality to a spouse or close family member of such councillor, manager or official in respect of any investment made or referred by the municipality.
- (b) If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by the municipality, both the investee and the investment manager must declare such payment to the council of the municipality by way or a certificate disclosing full details of the payment.

19. RECORDS AND REPORTS

- (a) The CFO or the delegated official must keep all investment transaction in a proper register, in accordance with Generally Recognized Accounting Practices.
- (b) The CFO must within 7 working days at the end of each month report to the Accounting Officer/Accounting Officer the investment portfolio in a prescribed form as required by the Municipal Management Regulation.

- (c) The Accounting Officer must within 10 working days of the end of each month, submit to the Executive Mayor a report describing in accordance with Generally Recognized Accounting Practice the portfolio as at the end of the month.
- (d) The report must set out at least –
 - the market value of each investment as at the beginning of the reporting period;
 - any changes to the investment portfolio during the reporting period;
 - and the market value of each investment as at the end of the reporting period.

20. **PORTFOLIO DIVERSIFICATION**

- (a) Funds, which are not required for immediate cash expenditures or to maintain, required compensating cash balances should be invested in interest bearing investments or accounts.
- (b) To reduce overall portfolio risk while attempting to attain market rates of return consistent with the primary objectives of safety and availability of funds, investments shall be diversified across types of investments, maturities of those investments, and institutions in which those investments are made.

- Investment Instruments

Investments shall be made only in those instruments specifically authorized by the law.

- Institutions

The council must take all reasonable prudent steps consistent with the investment policy and according to standard of care set out in Prudentialism in this policy, to ensure that it places its investments with credit-worthy institutions.

- i. Funds shall only be deposited in a financial institution whose performance has been reliable and whose safety rating, as determined by a reputable independent rating service
- ii. No single institution shall have, in cumulative total, as deposits and investments (other than safe kept investments) more than 50% of the City of Matlosana available funds for investment.
- iii. No funds may be invested in instruments that are prohibited by this policy.
- iv. When the appropriate Investment Officer or the

Investment Manager must liquidate an investment that no longer has the minimum acceptable credit rating as specified in the investment policy.

21. RELATIONSHIPS WITH FINANCIAL INSTITUTIONS

All financial institutions with which the Council conducts investment activities must agree in writing to undertake reasonable efforts to prevent illegal and/or imprudent transactions involving the Council funds. Should it come to the attention of the Financial Services Manager that funds have been involved in illegal and/or imprudent transactions, this will be reported to the City of Matlosana along with options for dealing with the situation.

22. MISCELLANEOUS PROVISIONS

- (a) The responsibility and risk arising from any investment transaction vests in the Accounting Officer and the Chief Financial Officer.
- (b) All investments made by the municipality must be in the name of the Council.
- (c) No money may be borrowed for the purpose of investment.

23. INDEMNIFICATION OF INVESTMENT OFFICIALS

Any investment officer exercising his or her authority with due diligence and prudence, and in accordance with the requirements of the Act, will not be held personally liable for any individual investment losses or for total portfolio losses.

Council will however have the right to collect any losses from an official, if an investment is made contrary to the stipulation of this policy or when gross negligence can be proved.

THE INVESTMENT POLICY IS CHANGED IN ACCORDANCE WITH REGULATIONS SET OUT BY THE MINISTER OF FINANCE IN THE GOVERNMENT GAZETTE No. 27431

CITY OF MATLOSANA



IRRECOVERABLE BAD DEBT POLICY

2024/2025

DRAFT

IRRECOVERABLE BAD DEBT POLICY

INDEX

	Page
1. Introduction	3
2. Definitions	3 - 4
3. Criteria for irrecoverable debt	5 - 7
4. Other cases	8 - 9
5. Clearance Certificates	9 - 10
6. Authorizations	10

1. INTRODUCTION

The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. However, for various reasons there will always be bad debt cases that needs to be catered for through a policy on the writing-off of irrecoverable debt for circumstances that allows for the valid termination of debt collection procedures as contemplated in section 109(2) of the Local Government: Municipal Systems Act (No 32 of 2000) as amended. The Municipal Manager must provide Council with a policy and guidelines with regards to the writing off of irrecoverable debts / bad debts, owed by consumers to Council and to ensure that all outstanding amounts owing to Council can be recovered effectively and economically and are financially viable

2. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Act”

The Local Government Act: Systems Act, 2003 as amended from time to time;

“Authorized Representative”

Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

“Chief Financial Officer”

the person appointed by Council to administer its finances regardless of the designation or title attached to the post;

“Consumer”

any occupier of any property to which the Council has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property;

“Council”

The municipal Council of the City of Matlosana that is responsible for the collection of funds and the provision of services to the consumers of;

"Credit control and debt collection"

Means the functions relating to the collection of any monies due and payable to the Council;

"Defaulter"

A consumer who owes money to the Council after the due date has expired;

"Households"

All matured persons older than 18 years that occupied a property within the jurisdiction of the Council regardless whether the person rents or owns the property;

"Municipal account"

Shall include levies or charges in respect of the following services and taxes:

1. electricity basic charges
2. electricity consumption,
3. housing rentals and instalments
4. interest and/or surcharges
5. miscellaneous and sundry charges
6. property rates,
7. refuse removal,
8. sewerage services (Basic and Additional Charges)
9. water basic charges,
10. water consumption,
11. VAT – Value added tax as determined by the VAT Act

"Municipal Manager"

The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, (Act 117 of 1998) as amended and include any person acting in that position or to whom authority was delegated;

"Property"

Any portion of land, of which the boundaries are determined, within the jurisdiction of the Council.

3. CRITERIA FOR IRRECOVERABLE DEBT

Debt will only be considered as irrecoverable if it complies with the following criteria provided there is sufficient provision for bad debt. The Chief Financial Officer shall write off any revenue which is irrecoverable or the recovery of that which is considered not to be reasonably practicable

- 3.1. If contradictory to Councils Standard Financial By-Laws, Section 12
- 3.2. All reasonable notifications and cost effective legal avenues have been exhausted to recover a specific outstanding amount. However, in special cases where the requirements in terms of Council's Credit Control and Debt Collection Policy are impractical, the administration must motivate which other remedies were applied or actioned; or
- 3.3. any amount equal to or less than R1 000 or as determined by Councils Customer Care, Debt Collection and Credit Control Policy from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it can be written off without submission to Council; or
- 3.4. debt on an account which comprises of only interest
- 3.5. the cost to recover the debt does not warrant further action; or
- 3.6. the amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate; or
- 3.7. there is a danger of a contribution;
- 3.8. no dividend will accrue to creditors; or
- 3.9. a deceased estate has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
- 3.10. In case of death of the debtor a creditor's claim must be timeously registered against the deceased's estate or if an estate has no income or has not been registered and the death can be proved by any means, any amount not being recovered due to insufficient funds be written off.
- 3.11. it has been proven that the debt has prescribed; or
- 3.12. the debtor is untraceable or cannot be identified so as to proceed with further action;
or

- 3.13. the debtor has emigrated leaving no assets of value to cost effectively recover Councils claims;
- 3.14. it is not possible to prove the debt outstanding; or
- 3.15. a court has ruled that the claim is not recoverable; or
- 3.16. the outstanding amount is due to an irreconcilable administrative error by the Council; or
expenditure incurred, in respect of internal accounts raised in the name of the City of Matlosana, in any previous financial year; or
If an offer of full and final settlement is confirmed in writing by the City Manager in terms of the City of Matlosana: Credit Control and Debt Collection By-law; or
- 3.17. all arrears may be written off to bad debts where Council-
 - 3.17.1. expropriates any property; or
 - 3.17.2. purchases any property in terms of item Section 4 of this policy
- 3.18. all arrears may be written off to bad debts where a property has been forfeited to the State in terms of the Prevention of Organized Crime Act 121 of 1998; or
- 3.19. where the occupiers have been evicted from Council, Provincial or State properties due to criminal activities; or
- 3.20. through supporting the City's housing related debt management processes and in instances where a housing debtor has applied for and been granted a housing indigent grant in terms of the Housing Indigent Policy, All debt related to that property for that debtor (excluding capital debt of home ownership units), up to the date of granting of indigent status will be written back. Such write back will occur only once for any debtor, thereby allowing for a once off rehabilitation, where after the debtor will immediately be subject to the Customer Care, Credit Control & Debt Collection policy should the account again fall into arrears; or
- 3.21. where the Housing advises the Chief Financial Officer that a housing debtor has been granted a housing indigent grant such debtors rates, services and sundry debt related to that property for that debtor shall be written off once; or
- 3.22. should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable

- with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 3.23. should the Municipal Manager become aware that the focus of an organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 3.24. Where registered non-profit organizations or public benefit organizations would, except for being in arrears on their Municipal accounts, qualify to receive a rates rebate, in terms of the Rates Policy, will, with effect from the date of qualification, have all their arrears written off, thus ensuring that they meet all the criteria to receive the rates rebate and;
- 3.24.1. this assistance will only be granted once to an organization subject to the condition that an electricity prepayment meter must be installed at the organizations cost, where applicable;
- 3.24.2. should any tampering with or bypassing of the water and electricity meters be discovered, any arrears written-off, in terms of this sub-item, will become payable with immediate effect and any other action as per any legislation or policy that applies to such tampering and/or bypassing will be instituted;
- 3.25. should the Municipal Manager become aware that the focus of the organization has changed, or its financial position has improved or its registration as a non-profit organization or public benefit organization has lapsed or terminated within three years after the arrears were written-off, such arrears will become payable with immediate effect.
- 3.26. Arrears on closed tenant accounts which have debt which exceeds 1,080 days (3 years) and cannot be linked to an account on Councils financial system, not exceeding R500 on the account may be written off with approval of the Chief Financial Officer. Any amount exceeding R500 must be submitted to Council for approval to write off.

3.27. Irrecoverable debt of registered indigent consumers will be written off on a once off basis by Council subject to the stipulations in the Indigent policy.

4. OTHER CASES

4.1. Housing

The allocation of stands and or houses (low cost) with State or Council associated funds by the applicable directorate, has in some instances resulted in debt being raised and carried on Council's Financial system in the name of the intended beneficiary as per Council's records, but who never took occupation of the property for one or more of the reasons that follows herein after or for a dispute that arose and can reasonably be motivated by the applicable Director or his/her delegated official.

- 4.1.1. Occupation taken by illegal occupants
- 4.1.2. Failure to have informed the intended beneficiary
- 4.1.3. Failure of beneficiary to take occupation of the property due to the fact that the beneficiary cannot be traced
- 4.1.4. Alteration of allocation not effected in council's records

4.2. The following scenarios are reflected;

All scenarios are subject to the conditions reflected in paragraph 1 above and are the responsibility of the Housing Manager

- 4.2.1. Where a debtor is untraceable or cannot be identified to proceed with further action, the Housing Manager or his delegate shall accordingly inform the CFO for possible write off and the delegated housing official shall re allocate the stand to a new occupant.
- 4.2.2. On all residential permits issued for the historical townships, it is clearly stipulated that the allocated person shall take occupation or develop the site within three months from the date of signature of that permit. All such abandoned stands shall be identified and be reallocated by

the delegated housing official on a “Voetstoots” basis and shall be approved by the Housing Manager or his delegate.

4.2.3. That all such privately owned properties be identified and be immediately handed over to Council’s panel of attorneys for collection. When all legal avenues have been exhausted and amounts owed cannot be recovered, such cases be referred to the relevant Court for possible attachment of that immovable property.

4.2.4. In case of death of the debtor, a creditor’s claim must be timeously registered against the deceased’s estate, failing which the property be handed over for collection. (Estate). Such properties may ultimately be deregistered and shall revert back to Council.

4.2.5. That all cases where the estate (next of kin) is indigent and cannot afford the transfer costs from the deceased, Council seek funding either internally, or externally to resolve this challenge and that Council writes off the amounts due by the deceased.

5. CLEARANCE CERTIFICATES

5.1. In terms of the Local Government Municipal Systems Act of 2000 as amended, section 118, the Council will under normal circumstances not issue a clearance certificate on any property unless all outstanding amounts are paid to date. However due to the potential lack of resources of Council to implement its credit control policy, it might be possible that such a property may have accumulated such a significant outstanding balance over a period of time that it may not be within the ability of the new owner to pay such an amount in order to obtain a clearance certificate.

5.2. Where such circumstances may prevail the prospective new owner may apply to the Council for relief of such outstanding debt or a portion thereof.

5.3. Such application must be submitted to the Chief Financial Officer for consideration. In reviewing such application, the Chief Financial Officer must ensure that;

- 5.3.1. Reasonable measures have already been taken to recover the outstanding amount from the current debtor.
- 5.3.2. The prospective buyer of the property is not in a financial position to settle the outstanding amount before a clearance certificate is issued.
- 5.4. It is not in the interest of the Council and/ or the community to withhold a clearance certificate before the outstanding debt is fully paid
- 5.5. Meritorious Cases

Notwithstanding the framework provided in this policy for the writing off of irrecoverable debt, Council mandates the CFO or his / her delegate to consider and recommend to Council meritorious cases and provide reasons for same.

6. AUTHORIZATIONS

- 6.1. The Chief Financial Officer or his delegated person as a delegated authority may approve debt below R1 000 as stipulated in point 3.3. for writing off.
- 6.2. debt on an account which comprises of only interest may be written off by the Chief Financial Officer or his delegated person as a delegated authority, due to the fact that there is no capital amount outstanding
- 6.3. In respect of other debt above R1 000, schedules indicating the debtor account number, debtors name and physical address in respect of which the debt was raised, address, erf number, if applicable, amount per account category as well as a reason to write-off the amount must be compiled and submitted to Council for approval as irrecoverable debt and writing off.
- 6.4. Notwithstanding the above, the Municipality or its authorized officials will be under no obligation to write-off any particular debt and will always retain sole discretion to do so.

CITY OF MATLOSANA



ASSET MANAGEMENT POLICY

2024/2025

Contents

- PREAMBLE 4
- ABBREVIATIONS AND DEFINITIONS 5
- 1. OBJECTIVE 8
- 2. LEGISLATIVE FRAMEWORK 9
 - 2.1 LEGAL FRAMEWORK..... 9
 - 2.2 RATIONALE FOR MANAGEMENT OF ASSETS..... 9
- 3. POLICY FRAMEWORK: 10
 - 3.1 POLICY OBJECTIVE..... 10
 - 3.2 POLICY PRINCIPLES..... 10
- 4. ASSET RECOGNITION 13
 - 4.1. CLASSIFICATION OF CAPITAL ASSETS 13
 - 4.2. IDENTIFICATION OF ASSETS 14
 - 4.3. ASSET REGISTER 15
 - 4.4. RECOGNITION OF CAPITAL ASSETS: INITIAL MEASUREMENT 16
 - 4.5. SUBSEQUENT MEASUREMENT OF CAPITAL ASSETS 19
 - 4.6. RECOGNITION OF INVENTORY ITEMS (NON-CAPITAL ITEMS)..... 19
 - 4.7. RECOGNITION AND DERECOGNITION OF LAND (iGRAP 18)..... 21
- 5. ASSET TYPES 22
 - 5.1 PROPERTY, PLANT AND EQUIPMENT: LAND AND BUILDINGS (GRAP 17) 22
 - 5.2 PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS (GRAP 17)..... 22
 - 5.3 PROPERTY, PLANT AND EQUIPMENT: OTHER ASSETS 23
 - 5.4 HERITAGE ASSETS (GRAP 103) 24
 - 5.5 INTANGIBLE ASSETS (GRAP 31)..... 24
 - 5.6 INVESTMENT PROPERTY (GRAP 16) 25
 - 5.7 BIOLOGICAL ASSETS (GRAP 27) 26
 - 5.8 INVENTORY PROPERTY (GRAP 12)..... 27
- 6. ASSET ACQUISITION..... 28
 - 6.1. ACQUISITION OF ASSETS 28
 - 6.2. CREATION OF NEW INFRASTRUCTURE ASSETS..... 28
 - 6.3. SELF-CONSTRUCTED ASSETS 29
 - 6.4. DONATED ASSETS..... 29

7.	ASSET MAINTENANCE	30
7.1.	USEFUL LIFE OF ASSETS.....	30
7.2.	RESIDUAL VALUE OF ASSETS	30
7.3.	DEPRECIATION OF ASSETS	31
7.4.	IMPAIRMENT LOSSES.....	31
7.5.	MAINTENANCE OF ASSETS AND THE ASSET REGISTER	33
7.6.	RENEWAL OF ASSETS.....	33
7.7.	REPLACEMENT OF ASSETS	34
8.	ASSET DISPOSAL	35
8.1	TRANSFER OF ASSETS.....	35
8.2	EXCHANGE OF ASSETS	35
8.3	ALIENATION / DISPOSAL OF ASSETS.....	36
8.4	SELLING OF ASSETS	37
8.5	WRITING-OFF OF ASSETS	38
9.	PHYSICAL CONTROL (MOVABLE ASSETS)	38
9.1.	PHYSICAL CONTROL / VERIFICATION	38
9.2.	INSURANCE OF ASSETS	38
9.3.	SAFEKEEPING OF ASSETS	39
10.	ASSET FINANCIAL CONTROL	39
10.1.	BORROWING COSTS (GRAP 5)	39
10.2.	FUNDING SOURCES.....	39
10.3.	DISASTER	40
	ANNEXURE A: ASSET CATEGORY AND USEFUL LIFE.....	41
	ANNEXURE B: ASSET TYPES NOT CAPITALISED DUE TO BEING UTILISED LESS THAN 12 MONTHS.....	43

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 Matlosana 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 Matlosana 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

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.

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.

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.

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.

GRAP are standards of Generally Recognised Accounting Practice.

Heritage Assets are defined as culturally significant resources. 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 and Buildings are defined as a class of PPE when the land and buildings are held for purposes such as administration and provision of services. Land and Buildings therefore exclude Investment properties and Land Inventories.

MFMA refers to the Local Government: Municipal Finance Management Act (Act no. 56 of 2003).

Other Assets are defined as assets utilised in normal operations. Examples are plant and equipment, motor vehicles 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.

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.

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.

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.

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).

As accounting officer of the municipality, the Municipal Manager is responsible and accountable for, among others, all assets of the municipality (section 55(2) of the MSA).

The Municipal Manager 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 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 life-cycle 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 – life-cycle 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 life-cycle 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 life-cycle 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 life-cycle 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

General

When accounting for Capital Assets, the municipality should follow the various 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:

Property, Plant and Equipment (GRAP 17)

- Land and Buildings (land and buildings 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)
- Other Assets (ordinary operational resources)

Investment Property (GRAP 16)

- Investment Assets (resources held for capital or operational gain)

Intangible Assets (GRAP 31)

- Intangible Assets (assets without physical substance held for ordinary operational resources)

Biological Assets (GRAP 27)

- Biological Assets (livestock and plants held)

Heritage Asset (GRAP 103)

- Heritage Assets (assets of a cultural, environmental, historical, natural, scientific, technological or artistic significance)

When accounting for Current Assets (that is of capital nature), the municipality should follow the various standards of GRAP relating to these assets. Current Assets (with a capital nature) are classified into the following category for financial reporting purposes.

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.

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
Identification			
•Unique identification number or asset mark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Unique name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Internal Classification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Descriptive data (make, model, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Erf/registration number	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Title deed reference	<input type="checkbox"/>		
Accountability			
•Department	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance			
•Age		<input type="checkbox"/>	<input type="checkbox"/>
•Condition		<input type="checkbox"/>	<input type="checkbox"/>
•Remaining useful life		<input type="checkbox"/>	<input type="checkbox"/>
•Expected useful life		<input type="checkbox"/>	<input type="checkbox"/>
Accounting			
•Historic cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Take-on value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Take-on date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Re-valued amount (where assets were re-valued)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Valuation difference (for purposes of revaluation reserve and depreciation)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Depreciation method		<input type="checkbox"/>	<input type="checkbox"/>

Data	Land	Movable	Infrastructure/ building
•Depreciation portion that should be transferred from revaluation reserve to accumulated depreciation (where assets were re-valued)		<input type="checkbox"/>	<input type="checkbox"/>
•Depreciation charge for the current financial year		<input type="checkbox"/>	<input type="checkbox"/>
•Impairment losses in the current year		<input type="checkbox"/>	<input type="checkbox"/>
•Accumulated depreciation		<input type="checkbox"/>	<input type="checkbox"/>
•Carrying value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
•Residual value		<input type="checkbox"/>	<input type="checkbox"/>
•Source of financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 been fully depreciated, or impaired, is not in itself a reason for derecognising 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, such as Investment Properties and Intangible Assets, separate asset registers will have to 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:

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 list 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; and
- Considerable difference in useful life

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 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.

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. All assets will be capitalised, except those listed as examples in *Annexure B*, but the application thereof will be determined annually by the municipality.

However, the municipality (Municipal Manager or to whom the right is delegated) can determine with an internal memorandum which assets, as mentioned in *Annexure B*, may not be classified as capital assets.

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

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.

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)

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)

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.

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.

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)

General

iGRAP 18 was early adopted and will subsequently be used in the recognition and derecognition of land. iGRAP 18 can be applied to clarify the treatment 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

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.

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 AND BUILDINGS (GRAP 17)

General

Land and Buildings comprise any land and buildings 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 and Buildings, but should be included in Investment Properties. For this class of Land and Buildings there is no intention of developing or selling the property in the normal course of business. This land and buildings include infrastructure reserves.

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.

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.

5.2 PROPERTY, PLANT AND EQUIPMENT: INFRASTRUCTURE ASSETS (GRAP 17)

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, street lights, 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. Prieska Water Supply)
- Level 2: Network level (e.g. Prieska Pump Stations)
- Level 3: Facility level (e.g. Prieska Pump Station)
- Level 4: Maintenance item level (e.g. Pump 1 in Prieska Pump Station)
- Level 5: Component level (e.g. Bearing of Pump 1 in Prieska 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 valued 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 guidance of GRAP 17.

Infrastructure Assets shall be recorded under the main categories listed in *Annexure A*;

5.3 PROPERTY, PLANT AND EQUIPMENT: OTHER ASSETS

General

Other Assets include a variety of assets that are of indirect benefit to the communities they serve. These assets include equipment, furniture and fittings, bins and containers, emergency equipment, motor vehicles, specialised vehicles, computer equipment and office equipment.

Policy

Other assets are carried 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 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 on an indication bases as per the guidance of GRAP 17.

Other Assets (general assets) shall be recorded under the main categories listed in *Annexure A*.

5.4 HERITAGE ASSETS (GRAP 103)

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.

5.5 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.

5.6 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 initially measured at its 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.

RECOGNITION: Investment property recognised at cost, if acquired through a non-exchange transaction, the cost is measured as the fair value of the asset.

COST: After initial recognition, all investment property shall be measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the asset. Land has an indefinite useful life thus it is acceptable practice that no depreciation is calculated on land parcels.

A gain or loss arising from a change in the fair value of investment property shall be included in surplus or deficit for the period in which it arises.

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 on a commercial basis.
- 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. The decision should be documented and approved through a resolution.
- 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.

5.7 BIOLOGICAL ASSETS (GRAP 27)

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.

5.8 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.

6. ASSET ACQUISITION

6.1. ACQUISITION OF ASSETS

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

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.

6.3. SELF-CONSTRUCTED ASSETS

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

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 valued 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

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 on indication bases 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*.

7.2. RESIDUAL VALUE OF ASSETS

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 on an indication

base as per the guidance 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

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.

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 on an indication basis. 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.

7.4. IMPAIRMENT LOSSES

General

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:

- Carrying amount of an asset far exceeds the recoverable amount or market value;
- 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.

The entity will designate its assets as either non-cash generating or cash generating in accordance with GRAP 21.

Designation is based on the entities objective of using the asset at initial recognition 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 has to be done on an asset or cash-generating unit.

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 cash-generating unit (group of assets):

- Administrative / owner-occupied assets
- Infrastructure – Roads
- Infrastructure – Water
- Infrastructure – Electricity
- Infrastructure – Sewer
- Infrastructure – Waste Management
- Community Assets – Swimming Pool
- 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.

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, unless it reverses a previous revaluation in which case it should be charged to the Revaluation Surplus. The reversal of previous impairment losses recognised as an expense is recognised as income.

7.5. MAINTENANCE OF ASSETS AND THE ASSET REGISTER

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

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 17.29 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

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/municipal manager approval for all disposals according to delegation of powers where applicable

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

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.

Policy

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

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

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

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. BORROWING COSTS (GRAP 5)

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. The capitalisation of borrowing costs should take place when borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. During extended periods in which development of an asset is interrupted, the borrowing costs incurred over that time period should be recognised as an expense when incurred. Capitalisation of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link a borrowing requirement directly to the nature of the expenditure to be funded, i.e. Capital or Current.

Policy

Borrowing costs shall be capitalised, if directly attributable to the acquisition construction or production of an asset over a significant period, except when it is inappropriate to do so.

10.2. FUNDING SOURCES

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.

10.3. 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

Buildings	Buildings	Buildings	25 – 50 years
Heritage assets	Heritage assets	Heritage assets	Not depreciated
Infrastructure	Civil structures	Civil structures	15 – 50 years
Infrastructure	Electricity	Distribution and cables	40 – 50 years
Infrastructure	Electricity	Equipment	15 – 45 years
Infrastructure	Electricity	Public lighting	30 – 40 years
Infrastructure	Mechanical equipment	Mechanical equipment	10 – 20 years
Infrastructure	Other	External facilities	7 – 30 years
Infrastructure	Roads	Bridges	30 – 80 years
Infrastructure	Roads	Furniture	8 – 80 years
Infrastructure	Roads	Structure	10 – 50 years
Infrastructure	Roads	Traffic management	10 – 15 years
Infrastructure	Sewerage	Pipelines	40 – 50 years
Infrastructure	Sewerage	Pump stations	10 – 55 years
Infrastructure	Solid waste	Bins and disposal	10 – 20 years
Infrastructure	Sports- and playgrounds	Sports- and playgrounds	10 – 40 years
Infrastructure	Stormwater	Drainage constructed	50 – 70 years
Infrastructure	Stormwater	Drainage unlined	10 – 15 years
Infrastructure	Water	Dams and reservoirs	50 – 80 years
Infrastructure	Water	Other	15 – 20 years
Infrastructure	Water	Pipes and grids	50 – 90 years
Infrastructure	Water	Pumps and tanks	15 – 20 years
Intangible assets	Intangible assets	Computer software	3 – 5 years
Intangible assets	Intangible assets	Rights	Not depreciated

Intangible assets	Intangible assets	Systems (annual license)	Not capitalised
Investment property	Investment property	Investment property	Not depreciated
Land	Land	Land	Not depreciated
Land	Quarry	Quarry	Per expert report
Other assets	Emergency equipment	Emergency equipment	5 – 10 years
Other assets	Furniture and fittings	Furniture and fittings	5 – 7 years
Other assets	Motor vehicles	Motor vehicles	5 – 15 years
Other assets	Office furniture	Office furniture	4 – 15 years
Other assets	Plant and equipment	Plant and equipment	4 – 15 years

ANNEXURE B: ASSET TYPES NOT CAPITALISED DUE TO BEING UTILISED LESS THAN 12 MONTHS

- Kitchenware, e.g. Kettles, toasters, two-plate stove, etc.
- Stationery equipment, e.g. Punches (not heavy duty), staplers (not heavy duty), etc.
- Garden equipment, e.g. Brooms, rakes, spade, etc.
- Machines (not heavy duty), e.g. Spanners, screw drivers, etc.
- Electrical equipment, e.g. Extension lead, multi plug, etc.
- Mattresses
- Cutlery & crockery
- Other, as may be determined by management

CITY OF MATLOSANA



MUNICIPAL PROPERTY RATES POLICY 2024/2025

PREAMBLE

1. **WHEREAS** the Constitution of the Republic of South Africa, 1996, and the Local Government: Municipal Property Rates Act, Act 6 of 2004, as amended by the provisions of the Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014 (hereinafter referred to as “the MPRA”), empowers the City of Matlosana (hereinafter referred to as “the Municipality”) to impose rates on property
2. **AND WHEREAS** in terms of section 4(1)(c) of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended (hereinafter referred to as “the Systems Act”), the Municipality may, *inter alia*, levy rates on property to finance the operational expenditure of the Municipality
3. **AND WHEREAS** in terms of section 62(1)(f)(ii) of the Local Government: Municipal Finance Management Act, Act 56 of 2003 as amended (hereinafter referred to as “the MFMA”), the Municipal Manager of the Municipality appointed in terms of section 82 of the Local Government: Municipal Structures Act, Act 117 of 1998 (hereinafter referred to as “the Structures Act”), must, in his capacity as the accounting officer of the Municipality, ensure that the Municipality has and implements a municipal property rates policy
4. **AND WHEREAS** the Municipality:
 - 4.1. Must, in terms of section 3(1) of the MPRA, adopt a policy consistent with the MPRA on the levying of rates on rateable property within the municipal area of the Municipality
 - 4.2. Must, in terms of section 6(1) of the MPRA, adopt by-laws to give effect to the implementation of its rates policy
 - 4.3. Must, in terms of section 5(1) of the MPRA, annually review, and may, if necessary, amend this policy. Proposals for reviewing this policy must be considered by the Municipality in conjunction with its annual operating budget
 - 4.4. May, in terms of section 22 of the MPRA, levy an additional rate on property in a special rating area and, in doing so, may differentiate between different categories of property
5. **NOW THEREFORE**, this policy has been drafted in compliance with the provisions of sections 3(1) and 6(1) of the MPRA, and must be read within the context of the MPRA, and in as far as required, supplemented and amplified by the MPRA.

THE CITY OF MATLOSANA

MUNICIPAL PROPERTY RATES POLICY

TABLE OF CONTENTS

CHAPTER 1

INTRODUCTORY PROVISIONS

ITEM NO.	ITEM	PAGE NO.
1.	DEFINITIONS	6
2.	AIM AND PURPOSE	13
3.	TITLE AND APPLICATION	14
4.	COMMENCEMENT AND VALIDITY	14
5.	RESPONSIBLE AUTHORITY	15

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

6.	OPERATIONAL BACKGROUND AND PRINCIPLES	16
7.	ANNUAL OPERATING BUDGET	17
8.	CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES	19

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

9.	DIFFERENTIAL RATING	27
10.	CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES	28
11.	COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY	35

CHAPTER 4

GENERAL PROVISIONS

12.	SPECIAL RATING AREAS	38
13.	RATE INCREASES	40
14.	NOTIFICATION OF RATES	41
15.	PAYMENT OF RATES	42
16.	PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES	43
17.	ACCOUNTS TO BE FURNISHED	44
18.	FREQUENCY OF VALUATION	45
19.	COMMUNITY PARTICIPATION	45
20.	REGISTER OF PROPERTY	45
21.	CERTIFICATE OF OCCUPANCY	45
22.	ILLEGAL USE OF PROPERTY	46
23.	INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY	46
24.	BY-LAWS TO GIVE EFFECT TO RATES POLICY	47
25.	POLICY REVIEW	47

SCHEDULES

SCHEDULE "A" REBATE ON RATES

SCHEDULE "B" APPLICATION TO BE RATED AS AGRICULTURAL/FARMING PROPERTY USED FOR AGRICULTURAL/FARMING PURPOSES

SCHEDULE "C" APPLICATION FOR A PENSIONER'S AND/OR DISABLE PERSON'S PROPERTY RATES REBATE

CHAPTER 1

INTRODUCTORY PROVISIONS

1. DEFINITIONS

In this policy, except where the context otherwise indicates, or it is expressly stipulated otherwise, the following words and expressions shall have the respective meanings assigned to them hereunder, and words or expressions to which a meaning has been assigned in terms of the provisions of section 1 of the MPRA will have the meaning assigned thereto by the said act. All headings are included for convenience only and shall not be used in the interpretation of any of the provisions of this policy.

NO.	WORD/EXPRESSION	DEFINITION
“A”		
1.1	“Account”	Means the account furnished to an owner by the Municipality once the owner becomes liable for the payment of rates and which reflects the amount due to the Municipality by such owner in respect of the rates, and depending on the context may also refer to an “account” as defined in terms of the provisions of the Customer Care, Credit Control & Debt Collection Policy and Tariff and Municipal Property Rates By-Laws of the Municipality.
1.2	“Agent”	In relation to property, means a person appointed by the owner of such property: <ol style="list-style-type: none">1. to receive rental or other payments in respect of the property on behalf of the owner;2. to make payments in respect of the property on behalf of the owner.
1.3	“Agricultural / farming property”	Means property, which is used for agricultural and/or farming purposes, but excludes any portion thereof that is used commercially.
“C”		
1.4	Category	<ol style="list-style-type: none">1. In relation to property, means a category of properties determined in terms of section 8;

		2. in relation to owners of properties, means a category of owners determined in terms of section 15 (2);
1.5	“Certificate of occupancy”	Means the certificate of occupancy issued by the Municipality in terms of the provisions of section 14 of the National Building Regulations and Building Standards Act, Act 103 of 1977.
1.6	“Consent use”	Means the purpose for which land may lawfully be used and on which buildings may be erected and used only with the consent of the Municipality.
1.7	“Council”	Means the Municipal Council of the Municipality as referred to and constituted in terms of the provisions of section 157 of the Constitution.
1.8	“Current monthly rates”	Means the rate levied on a property in the month immediately preceding the month in which application for a rebate has been made, where such application is required in terms of this policy, and in all other events, the month preceding the month in which the rebate will come into operation.
		“D”
1.9	Date of valuation	Means the date determined by City of Matlosana in terms of Sect 31 (1)
		“E”
1.10	“Exemption”	In relation to the payment of a rate, means an exemption granted by the Municipality in terms of the provisions of section 15 of the MPRA.
		“F”
1.11	“Financial year”	Means the period commencing on the 1 st day of July in any calendar year and ending on the 30 th day of June of the following calendar year.
		“G”
1.12	Government or State owned property Public Service Purpose	In so far as, it relates to property owned and used by the State, means property owned and used by the National Government and North West Provincial

Government for the provision of community type services, including but not limited to police stations, hospitals. All other property owned and utilised by the State will be classified in accordance with its zoning i.e. business for offices, residential for housing schemes etc. Public Service Purpose in relation to the use of a property, means property owned and used by an organ of state such as:

1. Hospitals and Clinics.
2. Schools and Pre-schools and early childhood development centres
3. National and Provincial Libraries and Archives
4. Police Stations
5. Correctional Facilities and
6. Courts of Law

“I”

1.13 **“Income Tax Act”** Means the Income Tax Act, Act 58 of 1962 as amended.

“M”

1.14 **“MFMA”** Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 as amended.

1.15 **“MPRA”** Means the Local Government: Municipal Property Rates Act, Act 6 of 2004/2004 as amended by Local Government: Municipal Property Rates Amendment Act, Act 29 of 2014.

1.16 **“MPRA Rate Ratio Regulations”** Means the Municipal Property Rates Act: Regulations on the Rate Ratio between Residential and Non-Residential Properties promulgated in terms of the provisions of section 83 of the MPRA and published in GNR195 in GG 33016 of 12 March 2010.

- 1.

1.17 **“Multi Purpose ”** in relation to a property, means the use of a property for more than one purpose subject to section 9.

1.18 **“Municipality”** Means the CITY OF MATLOSANA (also referred to as the “COM”), a local government and legal entity

with full legal capacity as contemplated in section 2 of the Systems Act, read with the provisions of Chapter 7 of the Constitution of the Republic of South Africa and sections 12 and 14 of the Local Government: Municipal Structures Act, Act 117 of 1998, with its main place of business and the offices of the Municipal Manager, as envisaged in terms of the provisions of section 115(3) of the Systems Act, at corner of Braam Fisher and Emily Hobhouse Streets, Klerksdorp, North West Province, and includes:

2. Its successor in title; or
3. A functionary exercising a delegated power or carrying out an instruction, in the event of any power being delegated as contemplated in terms of the provisions of section 59 of the Systems Act; or
4. An authorised service provider fulfilling a responsibility assigned to it by the Municipality through a service delivery agreement.

1.19 **“Municipal property”** Means property owned by, vested in or under the control and management of the Municipality.

“N”

1.20 **“Non-residential property”** Means all properties (including all undeveloped properties) other than those defined as “residential property”.

“O”

Means:

1.21 **“Owner”** 1.20.1. In relation to 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, means a person in whose name ownership of the property is registered;

1.20.2. In relation to a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property, means

a person in whose name the right is registered;

1.20.2.1. In relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 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, and published in Government Notice R327 of 24 February 1984;

1.20.2.2. In relation to a share in a share block company, the share block company as defined in the Share Blocks Control Act, Act 59 of 1980;

1.20.3. In relation to buildings, other immovable structures and infrastructure referred to in section 17 (1) (f), means the holder of the mining right or the mining permit;

1.20.3. In relation to a land tenure right registered in the name of a person or granted to a person in terms of legislation, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or

1.20.4. In relation to public service infrastructure, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”,

provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:

1.20.4.1. A trustee, in the case of a property in a trust excluding state trust land;

1.20.4.2. An executor or administrator, in the case of a property in a deceased estate;

1.20.4.3. A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;

1.20.4.4. A judicial manager, in the case of a property in the estate of a person under judicial management;

1.20.4.5. A curator, in the case of a property in the estate of a person under curatorship;

1.20.4.6. A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;

1.20.4.7. A lessee, in the case of a property that is registered in the name of a municipality and is leased by it;

or

A lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; or

1.20.4.8. A buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer.

“P”

1.22 **“Public service infrastructure”** Means public service infrastructure as defined in the Municipal Property Rates Act, Act 6 of 2004 as amended.

“R”

Means property on which the Municipality may in terms of the provisions of Sections 1, 2 and 7 of the MPRA levy a rate, excluding property fully excluded from the levying of rates in terms of the provisions of Section 17 of the MPRA and including

1.23 **“Rateable property” and “property”** 1.22.1. immovable property registered in the name of a person, including, in the case of a sectional title scheme, sectional title unit registered in the name of a person;

1.22.2. A right registered against immovable property in the name of a person, excluding a mortgage bond registered against property;

		1.22.3. A land tenure right registered in the name of person of granted to a person in terms of legislation, or d) public service infrastructure.
1.24	“Ratepayer”	Means any owner of rateable property as well as any owner of rateable property held under sectional title, situated within the municipal area of the Municipality.
1.25	“Rates”	Means a municipal rate on property levied in terms of section 229(1) (a) of the Constitution and section 2(1) of the MPRA.
1.26	“Rebate”	Means a discount granted in terms of the provisions of section 15 of the MPRA on the amount of the rate payable on the property.
1.27	“Reduction”	Means the lowering in terms of the provisions of section 15 of the MPRA of the amount for which the property was valued and the rating at that lower amount.
1.28	“Registered Indigent”	Means a person who has applied to the Municipality in terms of the Indigent Policy of the Municipality to be registered as a Registered Indigent, whose application was approved by the Municipality, and who is indicated as a Registered Indigent on the Indigent Relief Register, as contemplated in terms of the Indigent Policy of the Municipality
		Means property which is:
1.29	“Residential property”	1.28.1. Used exclusively for residential purposes, with not more than 2 (two) dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or 1.28.2. A unit registered in terms of the Sectional Titles Act, used exclusively for residential purposes, and includes any unit in the same sectional title scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker’s quarters (any such grouping shall be regarded as one

residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or

1.28.3 Owned by a share-block company and used predominantly (60% or more) for residential purposes; or

1.28.4. A retirement scheme or life right scheme used predominantly (60% or more) for residential purposes; or

1.28.5. A residence used for residential purposes situated on property used for or related to educational purposes;

1.28.6. Vacant Residential Property;

However, excludes hostels, old age homes, guesthouses and any vacant land, not zoned as “residential”, irrespective of its zoning or intended usage.

“S”

1.30 **“school”** Means a school as defined in terms of the South African Schools Act, Act 84 of 1996 as amended and includes both a public school or an independent school that enrolls learners in one or more grades from grade R (Reception) to grade twelve and a public school.

1.31 **“Sectional Titles Act”** Means the Sectional Titles Act, Act 95 of 1986 as amended.

1.32 **“Structures Act”** Means the Local Government: Municipal Structures Act, Act 117 of 1998 as amended.

1.33 **“Systems Act”** Means the Local Government: Municipal Systems Act, Act 32 of 2000 as amended.

“T”

1.34 **“technical and other colleges”** Means a public college and a private college as contemplated in the Further Education and Training Colleges Act, Act 16 of 2006.

1.35 **“the/this policy”** Means the Municipal Property Rates Policy of the Municipality as adopted by the Municipality in terms of the provisions of section 3(1) of the MPRA.

1.36 **“threshold”** Means the amount, determined from time to time by the Municipality during its annual budget process referred to in section 12(2) of the MPRA, to be deducted from the market value of residential properties, resulting in rates to be determined on the balance of the market value of such properties only.

“V”

1.37 **“vacant land”** Means a property without any improvements thereto excluding Agricultural land

1.38 **“valuation roll”** Means a valuation roll prepared in terms of the provisions of section 30 of the MPRA or a supplementary valuation roll prepared in terms of the provisions of section 78 of the MPRA.

“Z”

1.39 **“zero rated”** Means the Value Added Tax Rate at which property rates are levied

1.40 **“zoning”** Means the purpose for which land may lawfully be used or on which buildings may be erected or used, or both, as contained in the applicable Land Use Management Scheme, or any revision or amendment thereof, and “zoned” has a corresponding meaning, provided that where a property carries multiple zoning rights, the categorisation of such property will be in accordance with the highest rating category.

2. AIM AND PURPOSE

- 2.1. This policy constitutes the policy as contemplated in terms of the provisions of section 3(1) of the MPRA and the aim and purpose of this policy is as set out in the provisions of section 3(3) of the MPRA.
- 2.2. The aim of this policy is to:
- 2.2.1. Ensure that all owners of rateable property are informed about their liability for rates;
 - 2.2.2. Specify relief measures for ratepayers who may qualify for relief or partial relief in respect of the payment of rates through exemptions, reductions and rebates as contemplated in terms of the provisions of section 15 of the MPRA;
 - 2.2.3. Empower the Municipality to specify a threshold at which rating in respect of residential properties may commence as provided for in terms of the provisions of section 15(1)(a) of the MPRA, which it is authorised to do;
 - 2.2.4. Set out the criteria to be applied by the Municipality when it:
 - 2.2.4.1. Increase or decreases rates
 - 2.2.4.2. Levies differential rates on different categories of property;
 - 2.2.5. Provide for categories of public benefit organisations, approved in terms of the provisions of section 30(1) of the Income Tax Act, Act 58 of 1962 (hereinafter referred to as “the Income Tax Act”), which are ratepayers, and who may apply to the Municipality for relief from rates;
 - 2.2.6. Recognise the State, organs of state and the owners of public service infrastructure as property owners;

- 2.2.7. Encourage the development of property;
- 2.2.8. Ensure that all persons liable for rates are treated equitably as required by the MPRA; and
- 2.2.9. Provide that any rebate is to benefit the owner in occupation of the property.

3. TITLE AND APPLICATION

- 3.1. This policy is known as the Municipal Property Rates Policy of the City of Matlosana.
- 3.2. This policy revokes all previous policies, decisions and/or *ad hoc* clauses within any other policy, regarding the subject matter of this policy.

4. COMMENCEMENT AND VALIDITY

This policy shall come into force and effect on the first implementation of the general valuation roll to be prepared by the Municipality in terms of the provisions of section 30, read with section 31 of the MPRA. This policy shall form part of the Municipality's budget related policies when such budget is tabled in the Council of the Municipality in terms of the provisions of section 16(2) of the MFMA for approval, in order to allow for the Council of the Municipality to consider and approve this policy in terms of the provisions of section 24(1) of the MFMA. Once this policy is approved by the Council, the general valuation roll to be compiled by the Municipality will be compiled taking account of the principles and provisions of this policy in as far as *inter alia* the different categories of properties and special rating areas are concerned.

5. RESPONSIBLE AUTHORITY

The responsible authority for the adoption, publication and implementation of this policy is the Municipality, and where applicable the Council of the Municipality.

CHAPTER 2

RATING PRINCIPLES AND CATEGORIES OF PROPERTY

6. OPERATIONAL BACKGROUND AND PRINCIPLES

- 6.1. This policy has been prepared to ensure equitable treatment by the Municipality in the levying of rates on property owners, including owners under sectional title as contemplated in terms of the Sectional Titles Act, as well as any other person who may become liable for the payment of rates based on the guiding principles of equity, affordability, poverty alleviation, social and economic development, financial sustainability and cost efficiency.
- 6.2. This policy must be read in conjunction with the provisions of the Land Use Management Scheme and the Town Planning and Townships Ordinance 15 of 1986, and any other applicable legislation, including, but not limited to, the MFMA, the Systems Act, and any legislation that replaces any of the aforementioned acts or ordinance.
- 6.3. The Municipality is required by the terms of section 16(1) of the MFMA, read with section 24(1) of the MFMA, to approve an annual operating budget prior to the commencement of every financial year. The income from rates must be used to finance in full or in part, the annual operating expenditure of the Municipality as reflected in such budget.
- 6.4. As provided in the MPRA, the Municipality has elected to differentiate between various categories of property and property owners. Some categories of property and categories of owners are granted relief from rates. The Municipality does, however, not grant relief from rates in respect of payments for rates to any category of owners or properties on an individual basis, other than by way of an exemption, rebate or reduction provided for in this policy.
- 6.5. Rates are levied in accordance with the provisions of the MPRA as a cent-in-the-rand based on the property value determined for a property as contained in the valuation roll and supplementary valuation roll.

7. ANNUAL OPERATING BUDGET

- 7.1. Rates and rate ratios shall be levied and established as part of the approved annual budget of the Municipality and shall remain valid and in force and effect until amended, changed or varied by the Council.
- 7.2. In terms of the provisions of section 28(6) of the MFMA a municipal tax may not be increased during a financial year, except when required in terms of a financial recovery plan.
- 7.3. The Municipality must consider the levying of rates annually during the budget process as contemplated in section 12(2) of the MPRA.
- 7.4. Rate increases must be used to finance the increase in operating costs of the municipal services and facilities of the Municipality.
- 7.5. In determining the level of increases or decreases in rates, the criteria to be applied may include the following:
 - 7.5.1. The inflation rate as indicated by the consumer price index, excluding mortgage bonds;
 - 7.5.2. The financing of increased operating expenditure in the budget of the Municipality;
 - 7.5.3. The financing of additional maintenance expenditure included in the operating budget of the Municipality;
 - 7.5.4. The financing of additional depreciation charges included in the operating budget of the Municipality;
 - 7.5.5. The additional cost of servicing debt included in the operating budget of the Municipality;
 - 7.5.6. The augmentation of any revenue shortfall;
 - 7.5.7. The financing from the annual operating budget of expenditure related to anything the Municipality is lawfully empowered to do for which provision has to be made in the budget;
 - 7.5.8. The taking into consideration of the medium term budget growth factors as determined by National Treasury;
 - 7.5.8.1. The valuation roll; and
 - 7.5.8.2. Any other relevant factor.
- 7.6. Also in determining the level of increases or decreases in rates and in order to assist the Municipality in dealing with the criteria as set out above, the Municipality will refer to the following classifications:
 - 7.6.1. Services:

- 7.6.1.1. Trading services (as referred to in the Tariff Policy);
- 7.6.1.2. Non-trading services (as referred to in the Tariff Policy).
- 7.6.2. Expenditure:
 - 7.6.2.1. Salaries, wages and allowances;
 - 7.6.2.2. Bulk purchases;
 - 7.6.2.3. General expenditure;
 - 7.6.2.4. Repairs and maintenance;
 - 7.6.2.5. Capital charges;
 - 7.6.2.6. Contribution to fixed assets;
 - 7.6.2.7. Contribution to funds;
 - 7.6.2.7.1. Impaired debts;
 - 7.6.2.7.2. Working capital; and
 - 7.6.2.7.3. Statutory funds;
 - 7.6.2.8. Contribution to reserves;
 - 7.6.2.9. Gross expenditure (7.6.2.1 to 7.6.2.8.);
 - 7.6.2.10. Less charge-out (inter-departmental charge-outs);
 - 7.6.2.11. Nett expenditure (7.6.2.1.) less (7.6.2.8.);
 - 7.6.2.12. Income; and
 - 7.6.2.13. Surplus/deficit [difference between (xi) and (xii)].
- 7.6.3. Cost centres (to which the costs associated with rendering the service can be allocated):
 - 7.6.3.1. By department;
 - 7.6.3.2. By section/service; and
 - 7.6.3.3. By division/service.
- 7.7. Differential rates may be levied in terms of the provisions of section 8 of the MPRA according to the permitted use or, where applicable, the actual use of the property concerned.
- 7.8. In addition to the criteria specified above, the following criteria may be taken into account in determining whether a differential rate should be applied:
 - 7.8.1. The need to promote economic development;
 - 7.8.2. Any administrative advantages in applying a differential rate; and

- 7.8.3. The need to alleviate the rates burden on the owners of any particular category of property specified in this policy.
- 7.9. Rates are levied in accordance with the MPRA as an amount in the Rand based on the market value of all rateable property as reflected in the valuation roll and any supplementary valuation roll, as contemplated in terms of Chapters 6 and 8 of the MPRA, respectively.
- 7.10. The rate levied by the Municipality on a residential property with a market value below a prescribed valuation level may, instead of a rate determined as set out in the afore stated paragraph, be a uniform fixed amount per property.

8. CATEGORIES OF PROPERTY FOR LEVYING OF DIFFERENTIAL RATES

- 8.1. The Municipality may levy different rates for different categories of rateable property provided that, the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- 8.2. All rateable property will be classified within a specific category and will be rated upon the said classification, which will be in accordance with the actual use thereof, unless otherwise stated in this policy.
- 8.3. For purposes of levying different rates based on the permitted use of properties in terms of the provisions of section 8(1) (b) of the MPRA, read with sections 3(3) (b) and 3(3) (c) of the MPRA, the following categories of property are determined, as well as the main criteria to be used in order to determine the category of the property:
- 8.3.1. Residential property:
- Means property that is:
- 8.3.1.1 Used exclusively for residential purposes, with not more than 2 (two) dwelling units per property, and includes any adjoining property registered in the name of the same owner and used together with such residential property as if it were one property (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes); or
- 8.3.1.2. A unit registered in terms of the **Sectional Titles Act**, used exclusively for residential purposes, and includes any unit in the same sectional title

scheme registered in the name of the same owner which is used together with the residential unit as if it were one property, for example a garage or domestic worker's quarters (any such grouping shall be regarded as one residential property for rate rebate or valuation reduction purposes and for clearance application purposes); or

8.3.1.3. Owned by a share-block company and used predominantly (60% or more) for residential purposes; or

8.3.1.4. A retirement scheme or life right scheme used predominantly (60% or more) for residential purposes; or

8.3.1.5. A residence used for residential purposes situated on property used for or related to educational purposes;

8.3.1.6. Vacant Residential Property;

However, excludes hostels, old age homes, guesthouses and any vacant land, not zoned as "residential", irrespective of its zoning or intended usage.

8.3.2. Business and commercial property:

Refers to property on which the activity of buying, selling or trading in goods and/or services occurs, but excludes a property that forms part of the multi-purpose category, as referred to in sub-paragraph (3)(k) below. It includes any office or other accommodation on the same property, the use of which is incidental to the business, but excludes the business of mining. It further includes (and may include such sub-categories for) hotels, early development centres, private schools, private clinics, hospitals, guesthouses, bed and breakfast establishments and any vacant land which is being used for storage or parking in line with the zoning of such property and may also include a sub-category for vacant land zoned for business or commercial purposes in terms of the Land Use Management Scheme.

8.3.3. Industrial property:

Refers to property on which a trade or manufacturing, production assembling or the processing of finished or partially finished products from raw materials or fabricated parts occurs on such a large scale which involves significant capital and labour resources and may also include a sub-category for vacant land zoned for industrial purposes in terms of the Land Use Management Scheme.

8.3.4. Mining property:

Refers to property used for mining purposes or purposes incidental to mining operations as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002, and including any building, other immovable structures and infrastructure above the surface required for purposes of mining and may also include a sub-category for vacant land zoned for mining purposes or purposes incidental to mining operations in terms of the Land Use Management Scheme, but excludes mining rights or a mining permit as defined in the Mineral & Petroleum Resources Development Act, Act 28 of 2002.

8.3.5. Public service infrastructure property:

Refers to property utilised to accommodate public infrastructure of the following kinds (sub categories):

1. National, provincial or municipal public roads;
 2. Water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water or sewage pumps forming part of a water, waste water or sewer network serving the public;
 3. Power stations, power sub-stations or power lines forming part of an electricity network;
- 8.3.5.4. Railway lines forming part of a national railway network;
- 8.3.5.5. Communication towers, masts, exchanges or lines forming part of a communication network;
- 8.3.5.6. Runways or aprons at the municipal airport of the Municipality;
- 8.3.5.7. Any other publicly controlled infrastructure as may be prescribed;
- 8.3.5.8. Rights of way, easements or servitudes in connection with infrastructure mentioned in sub-paragraphs (3) (e) (i) to (3) (e) (viii) above; or
- 8.3.5.9. Public open spaces;

but with the exemption that the public service infrastructure property referred to in paragraphs (a), (b), (e), (g) and (h) of the definition of “public service infrastructure”, as contained in section 1 of the MPRA, may not be rated in terms of section 17(1) (a), to the extent set out in the sliding-scale contained in section 93(1) of the MPRA.

8.4. Municipal properties:

Refers to property owned by, vested in or under the control and management of the Municipality and will consist of the following 2 (two) sub-categories:

8.4.1. Municipal property: not rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are not rateable:

- 8.4.1.1. Public service infrastructure owned by the Municipality, including those referred to in sub-paragraph (3) (e) above;
- 8.4.1.2. Waste-dump sites;
- 8.4.1.3. Municipal burial grounds and adjacent public open space within the burial ground precinct;
- 8.4.1.4. Property used for the provision of public parks and zoned as public open space and includes undeveloped municipal property that is for the purposes of this policy deemed to be public open space;

8.4.1.5. Property used for culture, sporting and recreational facilities other than property subject to a registered lease in terms of the Formalities in respect of Leases of Land Act, Act 18 of 1969, in which case the area subject to the lease shall be separately rated; and

8.4.1.6. Municipal housing schemes.

8.4.2. Municipal property: rateable:

The following types of property owned by, vested in or under the control and management of the Municipality are rateable:

8.4.2.1. Property leased to third parties in terms of a lease registered in terms of the Formalities In Respect of Leases of Land Act, Act 18 of 1969. Where property owned by the Municipality is leased to a third party, the rating thereof shall be the prevailing rating applied to the principle property; and

8.4.2.2. Municipal property used for purposes other than those specified in sub-paragraph (f) (i) above.

8.5. Agricultural/farming property:

Property in this category is limited to agricultural/farming property zoned as agricultural/farming and used exclusively for agricultural purposes with the property owner deriving his principal source of income from the produce of the land on such property, but excludes any portion thereof that is used commercially for the hospitality of guests and excludes the use of the property for the purpose of eco-tourism or for the trading in or hunting of game. Agricultural/farming property not used for bona fide agricultural/farming purposes shall be rated according to the actual use thereof.

8.6. State-owned or organ of state-owned property and used for public service purposes:

8.6.1. Property owned by the state or an organ of state is rateable and will be categorised according to the zoning or use of the property; and

8.6.2. If property owned by the state or an organ of state is zoned or used for residential purposes, the rates must, after presentation of a

certificate of occupancy, be levied in terms of the residential tariff. The rebate afforded to state owned properties of organ of state owned properties does not apply to properties zoned or used for residential purposes as the rebate relating to residential properties already applies to such properties.

8.6.3 Public Service Purpose in relation to the use of a property, means property owned and used by an organ of state such as:

- 8.6.3.1 Hospitals or Clinics
- 8.6.3.2 Schools, Pre-schools, Early childhood development centres or further education and training colleges
- 8.6.3.3 National and Provincial Libraries and Archives
- 8.6.3.4 Police Stations
- 8.6.3.5 Correctional Facilities and
- 8.6.3.6 Courts of Law

8.6.4 Other categories: offices, roads, post office, vacant land, agricultural, church, cell towers which will be levied under the relevant other categories.

8.7. Smallholdings used for:

8.7.1. Exclusively used for agricultural/farming purposes:

Refers to a smallholding used predominantly (60% or more) for bona fide agricultural/farming purposes.

8.7.2. Residential purposes:

Refers to a smallholding used for residential purposes only.

8.7.3. Multiple Purposes use:

Refers to a smallholding used predominantly for residential purposes but has significant portions of the property devoted to purposes that fall within other categories of property, but excludes hostels, old age homes, guesthouses, bed and breakfast establishments, and any vacant land irrespective of its zoning or intended usage.

8.7.4. Industrial purposes:

Refers to a smallholding used for industrial purposes.

8.7.5. Business and commercial purposes:

Refers to a smallholding, which is used for business and or commercial purposes.

8.7.6. Any other purpose than those specified above:

Such smallholdings will be categorised in terms of any of the property categories referred to in this policy, which is in accordance with its predominant use.

8.8. Property used for Multiple Purposes:

- 8.8.1. Multi-purpose has two or more categories of property rates and will be levied in accordance the permitted use thereof.
- 8.8.2. Basic services will be levied on the highest tariff and the lowest tariff of basic services will be exempted.
- 8.8.3. Consumption services will be levied on the highest tariff and the lowest tariff of consumption services will be exempted

8.9. Educational:

Refers to property owned by educational institutions which are registered with the South African Revenue Services, in terms of the provisions of section 30 of the Income Tax Act and which provide education and development services as contemplated in terms of Part 1, section 4 of the Ninth Schedule to that Act and may include sub categories such as “private school”, “crèche”, “early development centres”.

8.10. Public benefit organisation property and used for specified public benefit activities:

Refers to property owned by a public benefit organisation and hospitality industries used for specified public benefit activities as listed in Part 1 of the Ninth Schedule to the Income Tax Act.

8.11. Property used for religious purposes:

Refers to property registered in the name of and used solely as a place of public worship, as defined in section 1 of MPRA, by a religious community, including an official residence, as defined in section 1 of the MPRA, registered in the name of such community which is occupied by an office-bearer of such community who officiates at services at that place of public worship.

8.12. Vacant land

Refers to a property without any improvements thereto except agricultural properties.

- 8.13. Private open space
Refers to parks in private developed towns.
- 8.14. Private roads
Refers to roads in private developed towns.
- 8.15. Guesthouses
Refers to properties exclusively being utilized for bed and breakfast purposes.
- 9.1. In determining the category of a property referred to in sub-paragraph (8.4.1.) above, the Municipality will take into consideration the following criteria, or a combination thereof:
- 9.1.1. The actual dominant use of the property concerned;
- 9.1.2. Conditions for township establishment and land use rights pertaining to the property;
- 9.1.3. The geographical area in which the property is situated;
- 9.1.4. The nature and extent of the improvements on the property.
10. In order to ensure certainty and consistency in the application of the criteria mentioned in sub-paragraph (9) above, the Municipality will endeavour to apply the above criteria uniformly and in order of priority as follows:
- 10.1. Properties must firstly be categorised in accordance with its permitted land use in terms of the Land Use Management Scheme;
- 10.2. In addition to the land use of a property, the actual dominant use of a property may also be used to categorise, or to narrow or confirm the category of such property. An inspection of the property concerned may be undertaken in order to obtain such information;
- 10.3. Where the dominant and permitted use of a property differ, the actual dominant use will supersede the permitted use and will be valued and rated according to the current usage; and
- 10.4. The geographical area where a property is situated, as well as the nature and extent of any improvements made to such property, may also be considered to categorise the property.
11. Property that is used in conflict to its zoning will be rated at the tariff applicable to properties used for business and commercial purposes.
12. Any property not falling within the ambit of the categories referred to above, shall be deemed to be business and commercial for the purposes of levying a rate.

CHAPTER 3

DIFFERENTIAL RATING, EXEMPTIONS, REDUCTIONS AND REBATES

9. DIFFERENTIAL RATING

- 9.1. The Municipality will apply a differential rating system based on the different property categories set out in paragraph 8 above, by means of a set rate to be applied to each category of property, provided that the maximum ratio to the rate on residential property which may be imposed on agricultural/farming property, public service infrastructure property and public benefit organisation property may not exceed the ratio as published in terms of the MPRA Rate Ratio Regulations.
- 9.2. The criteria for the implementation of the differential rating system on different categories of properties will be according to:
- 9.2.1. The nature and use of the property;
 - 9.2.2. The sensitivity to rating of the category of property;
 - 9.2.3. The extent of municipal services and infrastructure available to the property;
 - 9.2.4. The nature and extent of reductions and rebates applicable to the owners of the category of property;
 - 9.2.5. The promotion of social and economic development; and

- 9.2.6. Whether the property is being used for the use permitted for the property by the provisions of the Land Use Management Scheme of the Municipality.

10. CATEGORIES OF PROPERTY OWNERS FOR PURPOSES OF EXEMPTIONS, REDUCTIONS AND REBATES AND THE CRITERIA FOR EXEMPTIONS, REDUCTIONS AND REBATES

For purposes of exemptions, reductions and rebates from the payment of a rate levied on the different categories of property as contemplated in terms of the provisions of section 15(1) of the MPRA, the following categories of property owners and the criteria to be applied for the granting of exemptions, reductions and rebates to these categories of property owners are determined:

10.1. Exemptions:

The following properties are either exempted from paying rates, or the owners thereof may apply to the Municipality to be exempted from the paying of rates as indicated below:

10.1.1. An owner of residential property:

10.1.1.1. Low cost residential properties used for residential purposes are only fully exempted if the owner of such a property is a registered Indigent in terms of the Municipality's Indigent Policy receiving indigent support. This is an important part of the Indigent Policy of the Municipality that is aimed primarily at alleviating poverty;

10.1.1.2. All residential properties with a market value of less than the amount annually determined by the Municipality in the Tariff Policy are exempted from paying rates. The impermissible rates contemplated in terms of section 17(1) (h) of the MPRA are included in the amount referred to above as annually determined by the Municipality;

10.1.1.3. Owners of residential properties earning an income below certain thresholds as determined and as set out in the Tariff Schedule as referred to in the Tariff Policy and By-Law of the Municipality.

10.1.2. Property owned by the Municipality:

The Municipality is exempted from paying rates in respect of the property referred to in sub-paragraph 8(3) (f) (i) above.

10.1.3. Property owned by Public Benefit Organisations:

The following Public Benefit Organisations must produce the relevant proof from paying rates on property, provided a true and certified copy of a tax exemption certificate which has been issued by the South African Revenue Services as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act is submitted together with such application:

10.1.3.1. State or Organ of State owned Health Care Institutions:

State owned or Organ of State owned property used solely for health care institution purposes, provided that any and all profits from the use of such property are used entirely for the benefit of such health care institution.

10.1.3.2. Welfare Institutions:

Property used exclusively as an orphanage, non-profit retirement village, old age home or benevolent institution, including workshops used by the residents, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the Municipality.

10.1.3.3. Educational Institutions:

Property owned by a non-profit educational institution, registered as such in terms of the applicable legislation.

10.1.3.4. Charitable Institutions:

Property owned by a non-profit institution or organisation, which performs charitable work.

10.1.3.5. Sporting Bodies:

Property owned by an organisation which main purpose is to use such property for sporting purposes on a non-professional and non-profitable basis.

10.1.3.6. Cultural Institutions:

Property owned by an institution declared to be subject to the provisions of the Cultural Institutions Act, Act 119 of 1998.

10.1.3.7. Museums, Libraries, Art Galleries and Botanical Gardens:

Museums, Libraries, Art Galleries and/or Botanical Gardens, operated on a non-profit basis and open to the public.

10.1.3.8. Youth Development Organisations:

Property owned and used by an institution or organisation for the provision of youth leadership or a youth development programme on a non-profit basis.

10.1.3.9. Animal Welfare:

Property owned and used by an institution or organisation with the exclusive aim to protect birds, reptiles and/or animals on a non-profit basis.

10.1.3.10. Property used for Religious purposes:

A Property used for Religious purposes as referred to in sub-paragraph 8(3)(n) above, is exempted from the payment of rates as per the provisions of section 17(1)(i) of the MPRA.

10.1.3.1. Registered Indigents:

All Registered Indigents, registered in terms of the provisions of the Indigent Policy of the Municipality, shall be fully subsidised for the payment of property rates, as referred to in sub-paragraph (1)(a)(i) above as part of the indigent support such a person receives from the Municipality. The subsidy shall not be more than the applicable rate for that year, and will be applied for the duration of that particular financial year.

10.1.3.2. Properties to which the provisions of the National Heritage Resources Act, Act 25 of 1999,

Apply, or an institution that has been declared to be subject to the Cultural Institution Act, Act 119 of 1998.

10.2. An exemption from the payment of rates will only qualify to be considered for exemption by the Municipality subject to the following conditions:

- 10.2.1. On application, which application must be addressed in writing to the Municipality in the prescribed manner.
- 10.2.2. A true and certified copy of a tax exemption certificate issued by the South African Revenue Service must be submitted together with the application;
- 10.2.3. The Municipal Manager or the person to whom the authority to approve an application for an exemption has been delegated, must consider and approve or dismiss the application;

- 10.2.4. In considering the application for an exemption the Municipality may request any such further and/or additional information and/or documentation, as it deems necessary in order to consider such application;
- 10.2.5. The Municipality reserves the right to refuse any exemption if the details provided in the application are incomplete, incorrect or false.

10.3. Reductions:

- 10.3.1. The Municipality will consider reductions from rates payable by owners of property on an *ad hoc* basis, in any of the following circumstances:
 - 10.3.1.1. Partial or total destruction of a property and/or improvements on such property; and
 - 10.3.1.2. In the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property.
- 10.3.2. A reduction from rates payable by owners of property will only be granted by the Municipality subject to the following conditions:
 - 10.3.2.1. The owner of a property in respect of which a reduction is applied for must apply in writing to the Municipality for such reduction, and the onus will rest on such applicant to prove to the satisfaction of the Municipality that such property has been totally or partially destroyed or affected by a disaster as contemplated in sub-paragraph (10.3.1.1. and 10.3.1.2.) above. Such owner will further have to indicate to which extent the property can still be used and the impact on the value of the property;
 - 10.3.2.2. The percentage of the reduction granted and the period for which the reduction will be granted, if any, is solely within the discretion of the Municipality;
 - 10.3.2.3. The Municipal Manager or the person to whom this authority to approve an application for a reduction has been delegated, must consider and approve or dismiss the application; and
 - 10.3.2.4. In considering the application for a reduction the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application

10.4. **Rebates:**

The Municipality will consider rebates from rates payable on certain categories of property and/or for certain categories owners of property, on the following basis:

10.4.1. **Categories of property:**

10.4.1.1. **Agricultural/farming property:**

10.4.1.1.1. The owners of agricultural/farming property may be granted a rebate subject to such owner providing the Municipality with the prescribed information as set out in **Schedule “B”** and in the format provided in **Schedule “B”**;

10.4.1.1.2. The prescribed information provided in the format of **Schedule “B”**, must be submitted to the Municipality before the 30 September of the current financial year

1. Rebates may be granted by utilizing the criteria as set out and referred to in paragraphs 3.1 to 3.2 of **Schedule “A”**.
2. Rebates may be granted but the owner’s account must be up to date.

10.4.2. **Public Service Infrastructure Property:**

Public Service Infrastructure Property as per definition, relates to essential services and shall therefore be exempted from property rates (Sec 93A of MPRA Amendments).

10.4.3. Categories of owners:

10.4.3.1. Retired and/or Disabled Persons Rate Rebate:

Retired and/or disabled persons qualify for special rebates according to their monthly household income as referred to and set out in paragraph 3.4 of **Schedule “A”**. To qualify for this rebate a property owner must comply with the following requirements:

- 10.4.3.1.1. Occupies the property as his/her normal and only residence;
- 10.4.3.1.2. Be at least 60 years of age or have been awarded a disability pension from the Department of Social Development or other approved pension funds;
- 10.4.3.1.3. Be in receipt of a total monthly household income from any and all sources (including income of spouses of owner) as set out in paragraph 3.2 of **Schedule “A”**;
- 10.4.3.1.4. Not be the owner of more than one property;
- 10.4.3.1.5. Provided that where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement;
- 10.4.3.1.6. Property owners must apply to the Municipality for the rebate on the prescribed application form as set out in **Schedule “C”** and provide such documents as required therein;
- 10.4.3.1.7. This application must be submitted to the Municipality before the end of September of the current financial year
- 10.4.3.1.8. The Municipal Manager or the person to whom the authority to approve the application for a rebate has been delegated, must consider and approve or dismiss the application;
- 10.4.3.1.9. In considering the application for a rebate the Municipality may request any such further and/or additional information and/or documentation as it deems necessary in order to consider such application;
- 10.4.3.1.10. The Municipality reserves the right to refuse rebates if the details supplied in the application form are incomplete, incorrect or false; and
- 10.4.3.1.11. The extent of the rebate is set out in paragraph 3.2 of **Schedule “A”**.

11. COST TO THE MUNICIPALITY DUE TO EXEMPTIONS, REDUCTIONS, REBATES, EXCLUSIONS, PHASING-IN AND THE BENEFIT THEREOF TO THE LOCAL COMMUNITY

- 11.1. The Municipal Manager must ensure that all exemptions, reductions, rebates and the phasing-in of certain rates, as contemplated in terms of the provisions of sections 15 and 21 of the MPRA, are appropriately disclosed in the annual operating budget, annual financial statements and annual report of the Municipality and that such exemptions, reductions, rebates and phasing-in of certain rates are clearly indicated on the rate account which is submitted to every respective property owner liable to pay rates to the Municipality.

- 11.2. The Municipal Manager must also disclose all costs in respect of such exemptions, reductions, rebates and/or phasing-in of rates.
- 11.3. The benefit in respect of and the reasons and criteria for the granting of certain exemptions, reductions, rebates and/or phasing-in of certain rates to the various property owners includes, but is not limited to:
 - 11.3.1. The promotion of local economic development, which includes the promotion of business investments within the municipal area of the Municipality;
 - 11.3.2. Job creation for the local community;
 - 11.3.3. The promotion of service delivery by *inter alia* farmers;
 - 11.3.4. Poverty alleviation of indigent individuals;
 - 11.3.5. Social and moral development, including assistance to religious institutions, sporting bodies, educational institutions and/or other non-governmental organisations which promote health and/or other benefits to the local community; and
 - 11.3.6. Improved local economic growth.

11.4. IMPERMISSIBLE RATES

- 11.4.1. The Municipality may not levy a rate on:
 - 11.4.1.1. National, Provincial or other public roads on which goods, services and/or labour move across a municipal boundary;
 - 11.4.1.2. 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;
 - 11.4.1.3. Railway lines forming part of a National railway system;
 - 11.4.1.4. Runways, aprons and the air traffic control unit at the municipal airport, including the vacant land, known as the obstacle free zone surrounding the airport, which must be vacant for air navigation purposes;
 - 11.4.1.5. On those parts of a special nature reserve, national park or nature reserve within the meaning of the National Environmental Management: Protected Areas Act, Act 57 of 2003, or of a national botanical garden within the meaning of the National Environmental Management: Biodiversity Act, Act 10 of 2004, which are not developed or used for commercial, business, agricultural or residential purposes, provided that:
 - 11.4.1.5.1. The exclusion from rates lapses if the declaration of that property as a special nature reserve, national park, nature reserve or national botanical garden, or as part of such a reserve, park or

botanical garden, is withdrawn in terms of the applicable Act mentioned in that subsection;

11.4.1.5.2. If the property in respect of which the declaration is withdrawn is privately owned, the owner, upon withdrawal of the declaration, becomes liable to the municipality concerned for any rates that, had it not been for the exclusion set out in sub-paragraph (f), would have been payable on the property, notwithstanding section 78 of the MPRA, during the period commencing from the effective date of the current valuation roll of the municipality;

11.4.1.5.3. If the property was declared as a protected area after the effective date of the current valuation roll, rates are payable only from the date of declaration of the property;

11.4.1.5.4. The amount for which an owner becomes liable in terms of paragraph 11.4.1.5.2. and 11.4.1.5.3. must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality;

11.4.1.5.5. Paragraphs 11.4.1.5.2 to 11.4.1.5.4. above apply only if the declaration of the property was withdrawn because of:

11.4.1.5.5.1. A decision by the private owner for any reason to withdraw from the agreement concluded between the private owner and the state in terms of the Protected Areas Act, and in terms of which the private owner initially consented to the property being declared as a protected area; or

11.4.1.5.5.2. A decision by the state to withdraw from such agreement because of a breach of the agreement by the private.

11.4.1.6. On mining rights or a mining permit within the meaning of the Mineral and Petroleum Resources Development Act, Act 28 of 2002, excluding any building, other immovable structures and infrastructure above the surface of the mining property required for purposes of mining;

11.4.1.7. On a property belonging to a land reform beneficiary or his or her heirs, dependants or spouse provided that this exclusion lapses:

11.4.1.7.1. Ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds; or

11.4.1.7.2. Upon alienation of the property by the land reform beneficiary or his or her heirs, dependants or spouse;

11.4.1.8. On the first **R50 000** of the market value of a property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality:

11.4.1.8.1. For residential properties; or

11.4.1.8.2. For properties used for multiple purposes, provided one or more components of the property are used for residential purposes; or

1. On a property registered in the name of and used primarily as a place of public worship by a religious community, including the official residence registered in the name of that community which is occupied by the office bearer of that community who officiates at services at that place of worship.

CHAPTER 4

GENERAL PROVISIONS

12. SPECIAL RATING AREAS

- 12.1. The Municipality may, if and when it deems necessary, by means of a Council resolution determine special rating areas in consultation with the relevant communities as provided for in terms of the provisions of section 22 of the MPRA.
- 12.2. The following matters shall be attended to in consultation with the property owners within the area where the Municipality considers imposing such special rating area:
- 12.2.1. The proposed boundaries of the special rating area;
 - 12.2.2. Statistical data in respect of the area concerned and any such further information as may be required by the property owners who owns property within the proposed special rating area;
 - 12.2.3. Information in respect of the proposed improvements and/or upgrades, clearly indicating the estimated costs of each respective improvement and/or upgrade;
 - 12.2.4. The proposed financing of the improvements and/or upgrades;
 - 12.2.5. The priority of improvements and/or upgrades, if applicable;
 - 12.2.6. The socio economic factors of the relevant property owners concerned;
 - 12.2.7. The different categories of property;
 - 12.2.8. The amount of the proposed special rating;
 - 12.2.9. The details regarding the implementation of the special rating;
 - 12.2.10. The additional income which will be generated by means of the special rating; and
 - 12.2.11. The precise manner in terms of which the Municipality will utilize the additional income so generated.
- 12.3. A committee of property owners who own property within the proposed special rating area, consisting of 6 (six) **Property owners** must be established in order to advise and consult the Municipality with regard to such proposed special rating area. This committee will be elected by the inhabitants within the proposed special rating area

concerned, who must be at least 18 (eighteen) years of age. The election of the committee will commence under the guidance of the Municipal Manager. The committee will serve in an advisory capacity only and will have no executive powers.

- 12.4. The consent required from the property owners who own property within the proposed special rating area, must be obtained in writing or by means of a formal voting process under the auspices of the Municipal Manager. The majority vote is regarded as 50% plus 1 (one), of the property owners concerned. Each property owner, being the receiver of the monthly account for the municipal rate, will have 1 (one) vote each.
- 12.5. In determining the special additional rates the Municipality shall differentiate between different categories as referred to in paragraph 8 above.
- 12.6. The additional rates levied must be utilized for the purpose of improving or upgrading the specific area only and not for any other purpose.
- 12.7. The Municipality shall establish separate accounting and other record-keeping systems, compliant with GAMAP/GRAP, for the identified area and the property owners concerned shall be kept informed of progress with projects and financial implications on an annual basis.
- 12.8. Council may approve a rebate, reduction or exception in a determined amount and for a determinable period to a specific property owner to set off or reduce any amounts payable by the Municipality to the property owner whether under a services agreement or otherwise.

13. RATE INCREASES

- 13.1. In terms of the provisions of section 17(3)(a)(ii) of the MFMA and section 24(2)(c) (I) of the MFMA, read with section 28(6) of the MFMA, the Municipality may only consider the increase of rates annually during the drafting and adoption of its annual budget.

- 13.2. Income derived from the increasing of rates must be used by the Municipality to finance any increase in operating costs of subsidized municipal services and/or any increase in the rendering of municipal services to the local community.
- 13.3. The following annual adjustments may be considered and/or made in respect of subsidized municipal services and/or the rendering of municipal services to the local community:
 - 13.3.1. Salary and/or wage increases as agreed with the South African Local Government Bargaining Council;
 - 13.3.2. Salary increases of managers directly accountable to the Municipal Managers in terms of the provisions of section 56 of the Systems Act;
 - 13.3.3. Inflation adjustments in respect of general expenditure, repairs, maintenance and/or contributions to statutory funds, and
 - 13.2.4. Additional depreciation costs, interest on and/or reduction of loans associated with the assets obtained by the Municipality during the previous financial year.
- 13.4. Extraordinary expenditure in respect of community municipal services which was not expected or budgeted for may be financed by an increase of property rates.
- 13.5. The Municipality must take into consideration the ability of ratepayers to afford any proposed increase of rates prior to implementing any increase of property rates.
- 13.6. Any and all increases of property rates must be communicated to the local community in terms of paragraph 14 of this policy and the applicable provisions of the MFMA.

14. NOTIFICATION OF RATES

- 14.1. In terms of the provisions of section 16(2) of the MFMA, read with the provisions of section 22 of the MFMA, the public must be informed of the rates on property which the Municipality intends to levy in the next financial year as contained in the Municipality's annual budget. The public then may submit representations regarding the contents of the said annual budget in terms of the provisions of section 22(a)(ii) of the MFMA.

- 14.2. Once the Council has, considered, in terms of the provisions of section 24(1) of the MFMA, amongst others, the representations by the public, the Council may proceed to approve the annual budget, and once it has done so the Municipality shall have levied the rate as contained in the annual budget as contemplated in terms of the provisions of section 24(2) (c) (i) of the MFMA.
- 14.3. The Municipality must give notice to the local community of the rates levied on property in accordance with the provisions of section 14 of the MPRA, which in turn requires that the resolution levying the rates on property be promulgated by publishing the resolution levying the rates in the Provincial Gazette and within 60 (sixty) days after the passing of the resolution levying the rates:
- 14.3.1. in terms of the provisions of section 14(3)(a) and (b) of the MPRA, whenever a Municipality passes a resolution as referred to in sub-paragraph 14.3. above, the Municipal Manger must, within 60 (sixty) days after the passing of the resolution levying the rates:
- 14.3.1.1. Conspicuously display the resolution for a period of at least 30 (thirty) days:
- 14.3.1.1.1. at the Municipality's head and satellite offices and libraries; and
- 14.3.1.1.2. if the Municipality has an official website or a website available to it as envisaged in section 21B of the Systems Act, on that website; and
- 14.3.1.2. Advertise in the media a notice stating that:
- 14.3.1.2.1. a resolution levying a rate on property has been passed by the Council; and
- 14.3.1.2.2. the resolution is available at the Municipality's head and satellite offices and libraries for public inspection during office hours and, if the Municipality has an official website or a website available to it, that the resolution is also available on that website.
- 14.4. The resolution levying the rates must contain the date on which the resolution was passed, differentiate between different categories of properties and reflect the cent amount in the rand rate for each category of property.

15. PAYMENT OF RATES

- 15.1. A ratepayer has the option to pay the rates for which such ratepayer is liable to the Municipality in one annual instalment on or before the end of September of a given year, or to pay such rates on a monthly basis on or before the last day of the month.
- 15.2. If the owner of rateable property wishes to opt for the payment of rates annually in one instalment, such owner must notify the Municipal Manager in writing of such

election and the owner will then become liable to the Municipality to pay the rates on an annual basis, and full payment of the rates to be received by no later than the last day of September.

- 15.3. Interest on arrear rates will be levied and payable as set out in terms of the provisions of section 75A(1)(b) of the Systems Act, read with section 97(1)(e) of the Systems Act and the applicable provisions of the Credit Control & Debt Collection Policy and by-laws of the Municipality.
- 15.4. If the owner of rateable property fails neglects or refuses to pay such rates, which owes and due to the Municipality, the Municipality must recover such rates in accordance with the provisions of its Customer Care, Debt Collection and Credit Control Policy of the Municipality, read with the provisions of Chapter 9 of the Systems Act.
- 15.5. Arrear rates may be recovered from any tenants or occupiers of a rateable property or their agent as set out in terms of the provisions of sections 28 and 29 of the MPRA. (Read together with the Customer Care, Debt Collection and Credit Control Policy).

16. PAYMENT OF RATES ON PROPERTY IN SECTIONAL TITLE SCHEMES

- 16.1. Rates on property in respect of a sectional title scheme, shall be levied on the individual sectional title units in the scheme and not on the property as a whole.
- 16.2. The rate levied on a sectional title unit is payable and must be recovered from the owner of such unit or the holder of a right contemplated in section 25 or 27 of the Sectional Titles Act, Act 95 of 1986, and no rates in respect of any such unit or right may be recovered from the established body corporate of the scheme.
- 16.3. The provisions of sub-paragraph (2) above do not exempt a body corporate of a sectional title scheme from the payment of rates on a sectional title unit in respect of which such body corporate is the owner.
- 16.4. A body corporate which controls a sectional title scheme may not apportion and collect rates contemplated in terms of the MPRA from the owners of the sectional title units in such scheme.
- 16.5. The common area of the property in sectional title schemes, shall be proportionally divided and included into each sectional title unit and these proportioned common area shall be payable by the owners of the specific sectional title units.

17. ACCOUNTS TO BE FURNISHED

- 17.1. The Municipality must furnish every owner of rateable property liable for the payment of such rates with a written account therefore, which account must provide:
 - 17.1.1. The amount due for such rates;
 - 17.1.2. The date upon or before which the rates are payable;
 - 17.1.3. The manner in terms of which the rates was calculated;
 - 17.1.4. The municipal value of the property for which the account was furnished
 - 17.1.5. The percentage or amount of any applicable exemptions, reductions and/or rebates.
- 17.2. An owner of rateable property who/which is liable for the payment of such rates remains liable for the payment thereof, irrespective of whether or not such owner received an account furnished by the Municipality therefore.
- 17.3. An owner contemplated in sub-paragraph (2) above, must enquire and attempt to obtain such account from the Municipality for the payment thereof and is responsible for enquiring and ascertaining from the Municipality, monthly and timeously, the amount due to the Municipality should no account be received.
- 17.4. Where a rateable property is owned by 2 (two) or more owners, the Municipality may recover the applicable property rate therefore from anyone of the owners in order to reduce its administrative costs and in terms of the provisions of section 24(2) (a) of the MPRA.
- 17.5. The Municipality and the ratepayer have the rights in respect of accounts, as set out in terms of the provisions of section 102 of the Systems Act and the provisions of the Customer Care, Debt Collection and Credit Control Policy of the Municipality dealing with accounts.

18. FREQUENCY OF VALUATION

- 18.1. The Municipality must prepare a new valuation roll at least every 5 (five) financial years, and reserves the right to extend the validity of the valuation roll to 7 (seven) financial years in terms of the provisions of section 32(2) (b) of the MPRA No 6 of 2004.
- 18.2. Supplementary valuations will be done on a continuous basis to ensure that the valuation roll is properly updated, as provided for in terms of the provisions of section 78 of the MPRA.

19. COMMUNITY PARTICIPATION

This policy may only be adopted once the Municipality has followed a process of community participation, in accordance with the provisions set out in Chapter 4 of the Systems Act and section 4(2) of the MPRA, and the Municipality must further take all comments and representations received as a result of the community participation process into account when it considers the adoption of this policy.

20. REGISTER OF PROPERTY

The Municipality must compile, maintain and display a register of properties in accordance with the provisions of section 23 of the MPRA.

21. CERTIFICATE OF OCCUPANCY

- 21.1. Prior to a residential property being eligible for a rebate, a certificate of occupancy must have been issued in respect thereof, by the Municipality.
- 21.2. The onus of obtaining a certificate of occupancy rests with the owner of a property.

22. ILLEGAL USE OF PROPERTY

- 22.1. If a property is used for a use, other than that permitted for the property by the applicable provisions of the Land Use Management Scheme (also referred to as the “illegal use of the property”), the Municipality will be entitled to levy on the property concerned the highest tariff provided for in the differential rate categories of the Municipality.
- 22.2. The owner of property contemplated in sub-paragraph (22.1.) above then bears the onus of satisfying the Municipality that the illegal use of the property has ceased and may request in writing from the Municipality to proceed to reinstate the levying of rates against the property as per the valuation roll;
- 22.3. Such a request in writing by the owner of the property must be accompanied by an affidavit by the owner of the property, confirming that the illegal use of the property has been ceased and that the property is being used for the use allowed for the property in terms of the provisions of the Land Use Management Scheme;
- 22.4. The Municipality shall consider the request and if the cessation of illegal use of the property is verified and if the request is approved, the Municipality will reinstate the levying of rates against the property as per the valuation roll.

23. INSPECTION OF AND OBJECTIONS TO ENTRIES INTO THE VALUATION ROLL OF THE MUNICIPALITY

- 23.1. Once the Municipality has given notice in terms of the provisions of section 49 of the MPRA that the valuation roll is open for public inspection, any person may within such period stated in section 49(1)(a) of the MPRA, in terms of the provisions of section 50(1) of the MPRA:
- 23.1.1. Inspect the roll during office hours;
 - 23.1.2. Upon payment of a fee as approved by Council, request the Municipality during office hours to provide an extract from the roll; and
 - 23.1.3. May lodge an objection with the Municipal Manager against any matter reflected in, or omitted from the roll.
- 23.2. An objection as contemplated in sub-paragraph 23.1.3.above, must be in relation to a specific individual property and not against the valuation roll as a whole.
- 23.3. The lodging of an objection **does not defer liability for the payment of rates** beyond the date determined therefore.
- 23.4. All objections received shall be dealt with in the manner prescribed in terms of the provisions of section 51 to section 54 of the MPRA.

24. BY-LAWS TO GIVE EFFECT TO RATES POLICY

The Municipality must adopt by-laws to give effect to the implementation of this policy.

25. POLICY REVIEW

This policy must be reviewed annually by the Council of the Municipality as prescribed in terms of the provisions of section 5 of the MPRA.

SCHEDULE “A” – REBATE ON RATES

NO.	CATEGORY / DESCRIPTION	APPLICABLE REBATE
1.	<u>Exemptions:</u>	
1.1	<u>Residential</u>	
	A Municipality may not levy a rate on:	
	1. The first R15 000.00 of the market value of a property assigned in the valuation roll or supplementary valuation roll is compulsory exempted from the levying of rates as per the provisions of section 17(1)(h) of the MPRA.	R 50,000.00 Ratio 1:1
	2. An additional R35 000.00 rebate be granted on the general rate subject thereto;	in terms of the provisions of section 19(1)(b) of the MPRA
	3. that the residential property has been developed by way of a habitable house.	
	4. that the property is used for only residential purposes.	
2.	<u>Reductions:</u>	
	in the event of a disaster, as defined in terms of the provisions of the Disaster Management Act, Act 57 of 2002, directly or indirectly affects the property	
3.	<u>Rebates:</u>	
3.2	<u>Public Benefit Organizations</u>	Ratio 1:0.25 in terms of the provisions of section 19(1)(b) of the MPRA
3.3	<u>Agricultural/Farming Land</u>	Ratio 1:0.25 in terms of the provisions of section 19(1)(b) of the MPRA

3.3.1. Calculation of Rebate on Farming/Agricultural land

The owner’s account must be up to date in order to qualify for a rebate

No municipal roads next to property	7.5%
No municipal sewerage to the property	7.5%
No municipal electricity to the property	7.5%
No water supply to the property by the Municipality	15%
No refuse removal provided by the Municipality	7.5%

3.3.2. The contribution to job creation

If the owner is providing permanent residential property to the farm workers and such property is registered in the name of such farm workers.	5%
If such residential properties are provided with potable water.	5%
If the owner has provided electricity to the residential properties of his farm workers.	5%

3.4. Retired and/or disabled persons on residential property only:

Owner with a gross monthly income from (R 0.00 – R4 190.00) Owner with a gross monthly income from (Waiting for budget speech)	100%
Owner with a gross monthly income from (R 4 191.00 – R9 500.00) Owner with a gross monthly income from (Waiting for budget speech)	40%
Owner with a gross monthly income from (R9 501.00 – R12 500.00) Owner with a gross monthly income from (Waiting for budget speech)	30%
Owner with a gross monthly income from (R12 501.00 – R14 500.00) Owner with a gross monthly income from (Waiting for budget speech)	20%
Owner with a gross monthly income from (R14 501.00 – R16 500.00) Owner with a gross monthly income from (Waiting for budget speech)	10 %

PROPERTY RATES RATIOS

DESCRIPTION CATEGORIES

RATE RATIO

	<u>Current</u>	<u>Proposed</u>
Normal Residential	4:1	1:1
- Sectional Title Residential		

- Agriculture (Farm Number but residential)		
Business: <ul style="list-style-type: none"> - Sectional Title Business - Bed & Breakfast / Guest House - Private Hospitals and Clinics - Early Development Centre's - Private Schools 	1:2.385	1:2.385
Industrial	1:2.385	1:2.385
Mining	1:2.385	1:2.385
Public Service Infrastructure	1:0.00	1:0.00
Public Benefit Organizations	1:0.25	1:0.25
Agriculture (Bone Fide Farmer no services)	1:0.25	1:0.25
Public Service Purpose Properties	1:2.385	1:2.385
Private Vacant Land	1:2.385	1: 2.385
Public Open Spaces	1:2.385	1: 2.385
Private Road	1:2.385	1: 2.385
Public Worship	1:0.00	1:0.00



AGRICULTURAL PROPERTY REBATE APPLICATION

SCHEDULE "B"

NAME: _____

CONTACT NR:

POSTAL ADDRESS: _____

NAME OF FARM:

ACCOUNT NR: _____

PORTION NR:

SARS/INCOME TAX NR: _____

SCHEDULE OF REBATES

<u>CATEGORY/DESCRIPTION</u>	<u>PROPOSED</u>	<u>YES</u>	<u>NO</u>
	<u>REBATE</u>		

REBATES ON AGRICULTURAL LAND

Municipal roads next to the property	7.5%
Municipal sewerage to the property	7.5%
Municipal electricity	7.5%
Water supply to the property by the municipality	15%
Refuse removal provided by the municipality	7.5%

SUB TOTAL

CONTRIBUTION TO SOCIAL AND ECONOMIC WELFARE OF FARM WORKERS

Contribution to job creation	5%
Permanent residential property provided to the farm workers	5%
Residential property provided with portable water	5%
Residential property provided with electricity	5%

SUB TOTAL

TOTAL

PLEASE NOTE: Qualifying requirements are that the owner should provide proof that he/she is registered as a *bona Fide* farmer with SARS and that the owner's account is up to date.

If the application form is completed incorrectly, no rebate will be granted.

Declaration:

I, _____ (Full names and surname)

Declare under oath:

1. That the above answers and declarations are correct.
2. That should any of the above change, I will, without delay inform the Chief Financial Officer accordingly.

SCHEDULE "C"

FOR OFFICE USE ONLY/ SLEGS VIR KANTOOR GEBRUIK

INCOME PER MONTH/ INKOMSTE PER MAAND

PENSION/ PENSIOEN :

OTHER/ ANDER :

TOTAL/ TOTAAL :

VALUATION/ WAARDASIE :

REBATE / KORTING :

ACC NO/ REK NO :
REGISTERED OWNER FROM/ GEREISTREERDE EIENAAR

VANAF :

Signature: _____
Date: _____

I, _____ hereby
certify (full names and
surname)

That before I administer an affidavit the above questions were enquired of the applicant and the answers have been written in the applicant's presence.

Signature: _____
Date: _____



**ACCORDING TO ARTICLE 15(2) PROPERTY RATES LAW NO 6 OF 2004 AS AMENDED/
INGEVOLGE ARTIKEL15(2) EIENDOMSBELASTINGWET NO 6 VAN 2004 SOOS GEWYSIG.**

**THE CITY OF MATLOSANA/ DIE STAD VAN MATLOSANA
APPLICATION FOR PARTIAL REBATE OF ASSESMENT RATES/ AANSOEK OM GEDEELTELIKE
KWYTSKELDING VAN EIENDOMSBELASTING.**

Surname/Van:

Full Names/Volle Name:

Identification Number/Identiteit Nommer:

Residential Address/Woon adres:

Married Status/Huwelikstatus:

Contact Numbers/Kontak Nommers: Cell: (h)..... (w).....

Sworn Affidavit/Beëdige Verklaring

Herby confirm under oath that:/Verklaar onder eed

1. I am the registered owner of Erf/Holding/ Ek is die geregistreeerde eienaar van erf:

Account Number/Rekening Nommer:

Extention/Uitbreiding:

2. I am 60 years of age or older on 1 July of the particular Financial year/ Ek is 60 jaar oud of ouer op 1 Julie van die betrokke Belasting jaar

Y/J	N
-----	---

3. If I am medically unfit and receive a disability grant I will provide the relevant documentation /Indien ek permanent medies ongeskik is om te werk sal ek die nodige bewyse aanheg.

Y/I	N
-----	---

4. If married the Bruto income of both spouses must be brought into consideration, meaning the total household income/Sou u getroud wees moet die gesamentlike inkomste in berekening gebring word d.w.s totale Bruto inkomste van die huishouding.

PLEASE NOTE/LET WEL:

IF THE APPLICATION FORM IS INCOMPLETE AND THE REQUIRED DOCUMENTS ARE NOT SUPPLIED THE REBATE WILL BE DENIED/INDIEN DIE AANSOEK VORM ONVOLLEDIG IS EN DIE NODIG DOKUMENTASIE NIE AANGEHEG IS NIE, SAL GEEN AFSLAG TOEGESTAAN WORD NIE.

1. All proof of income must be provided, interest received on investments, pension or any monthly income, with the latest statement date. **NO BANK STATEMENTS WILL BE ACCEPTED/** Bewys van alle inkomste, rente ontvang op beleggings, pensioen, en bewys van enige ander maandelikse inkomste, moet aangeheg word. **GEEN BANK STATE SAL AANVAAR WORD NIE.**
2. If the applicants spouse is unemployed/and not receiving a monthly pension, a sworn affidavit should be handed in/ Indien die vrou werkloos of geen inkomste/pensioen ontvang nie, moet 'n beëdigde verklaring ingehandig word.
3. Occupy the property as his/her normal residence/ Okkupeerder van die eiendom as hom/haar normale residensie.
4. The applicant must be the registered owner and the occupant of the appropriate property; which is exclusively used for residential purposes only/ Die aansoeker moet die geregistreerde eienaar en die bewoner wees van die betrokke eiendom, wat uitsluitlik gebruik word residensiële doeleindes.
5. Not own more than one property/ Nie meer as een eiendom besit nie.
6. Be at least 60 years of age or in receipt of a disability pension from the Department of Social Development/ Ten minste 60 jaar oud wees of in die ontvangs wees van dokumentasie 'n ongeskikheidspensioen van die Departement van Sosiale Ontwikkeling.

DECLARATION/VERKLARING:

I/EK.....
.....

(Full names and surname/Volle name and van)

Declare under oath/Verklaar onder eed/bevestig plegtig:

1. That the above answers and declarations are correct/Dat die voorafgaande antwoorde en verklarings na my beste wete en oortuiging korrek is,
2. That should any of the information change I will without delay inform the Financial Service Manager accordingly/.Dat, indien enige van die voorafgaande besonderhede verander, ek die Hoof Finansiële Beampte onverwyld daarvan in kennis sal stel.

.....
SIGNATURE/HANDTEKENING

I/EKCERTIFY/
SERTIFISEER

1. That before I administer an affidavit the following questions were asked of the applicant and the answers has been written down in the applicant's presence/ Dat voordat ek die voorgeskrewe eed/bevestiging afgeneem het, ek die volgende vra aan die verklaarder gestel het en sy/haar antwoord in sy/haar teenwoordigheid neergeskryf het:

1. Are you familiar with the content of the affidavit and do you understand the content? / Is u vertrouwd met die inhoud van bostaande verklaring en begryp u dit?
 Answer/ Antwoord:
2. Have you any objection to the prescribed oath? / Het u enige beswaar teen die afle van die voorgeskrewe eed?
 Answer/ Antwoord:
3. Do you consider the prescribed affidavit binding to your conscience? / Beskou u die voorgeskrewe eed as bindend vir u gewete?
 Answer/ Antwoord:
4. That the declarer admits that he/she is familiar with the contents of the declaration and understands. I hereby certify that the declarer signed the form in my presence/ Dat die verklaarder erken dat hy/sy vertrouwd is met die inhoud van die verklaring en begryp. Hierdie verklaring is beëdig/bevesting voor my en verklaarder se handtekening/duimafdruk/merk is in my teenwoordigheid daarop aangebring.

ADDRESS/ ADRES:

AREA:.....

POSITION/ AMP:

.....
COMMISSIONER OF OATHS/ KOMMISSARIS VAN EDE

CITY OF MATLOSANA



TARIFF POLICY

DRAFT

2024/2025

City of Matlosana
TARIFF POLICY
TABLE OF CONTENTS

ITEM NO	ITEM	PAGE NO
1.	DEFINITIONS	3-4
2.	INTRODUCTION AND PURPOSE OF THIS POLICY	5
3.	TARIFF PRINCIPLES	6-7
4.	CATEGORIES OF USERS	7
5.	CLASSIFICATION OF SERVICES, AND COST ELEMENTS	7
	5.1. Classification of Services	7-9
	5.2. Cost Elements	9
6.	DEPOSITS	9
7.	TARIFF TYPES	10-11
8.	REBATES	11
9.	UNIT OF MEASUREMENT	11-15
	9.1. Water (Basic fee & Consumption)	12
	9.2. Electricity (Basic fee & Consumption)	13
	9.3. Refuse Removal	14
	9.4. Sewer (Basic fee & Additional)	14
	9.5. Property Rates	15
	9.6. Social Benefits	15
10.	FUNCTION/ UNIT OR OUTPUT CLASSIFICATION BY COUNCIL	16-19
11.	BILLING OF ESTIMATED CONSUMPTION	19-20
	11.1. Need to estimate consumption and the basis thereof	19
	11.2. Adjustment to estimated account	19
	11.3. Failure of meter	19
	11.4. No account received	20
12.	VAT	20
13.	DETERMINATION, NOTICE OF TARIFFS, FEES, LEVIES AND OBJECTIONS	21-22
14.	PHASING IN OF TARIFFS, FEES AND LEVIES	22
15.	CONFLICT OF LAW	22
16.	SHORT TITLE AND COMMENCEMENT	22

1. Definitions

In this policy, any word or expression to which a meaning has been assigned in the Act must bear the same meaning and, unless inconsistent with the context:

“Act” means the Local Government Municipal Systems Act 2003, (Act 32 of 2000) as amended by Act 44 of 2003 and any promulgated Regulations in line with the Act

“Municipal Finance Management Act” means the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) as amended and promulgated Regulations in line with the Act;

“Municipal Property Rates Act” means the Local Government Property Rates Act, (Act 6 of 2006) and promulgated Regulations in line with the Act;

“Municipal service” means a municipal service defined in section 1 of the Municipal Systems Act;

“community services” means services that the Council has classified as such, and in respect of which the tariffs have been calculated with the intention that the costs of the services cannot be recovered from public service charges and are of a regulatory nature;

“MMC - Finance” means the member of the municipal council responsible for financial matters in the municipality;

“Council” means the Council of the City of Matlosana Municipality, established in terms of section 12 of the Local Government Municipal Structures Act, Act 117 of 1998;

“Municipality” means the City of Matlosana;

“economic services” means services that the Council has classified as such, in respect of which the tariffs have been calculated with the intention that the total costs of the services are recovered from users;

“Domestic user” means a user of electricity, water or borehole water, sewerage or refuse removal for residential purposes only.

“Multiple Purposes” In relation to a property, means the use of property for more than one purpose, subject to section 9 of Municipal Property Rates Act.

“Poor household” means a domestic user who qualifies, together with his or her dependents, as an indigent person in terms of the Council’s indigent relief policy.

“Stepped tariffs” means that a specific tariff is applicable for each step to all consumers.

“Tariff policy” means the tariff policy of the Council adopted in terms of Section 74(1) of the Municipal Systems Act.

“fixed costs” means costs, which do not vary with increased or decreased consumption or volume produced;

“flat rates” means the unit tariffs that do not relate to individual consumers, but are calculated by dividing the total costs by volume used by all the users together;

“total cost” means the sum-total of all fixed and variable costs related to a service;

“trading services” means services that the Council has classified as trading services, in respect of which the tariffs have been calculated with the intention that the Council makes a profit on the delivery of the services;

“two-part tariffs” means tariffs that are determined to cover the fixed and variable costs of a service separately, where the fixed costs are calculated by dividing the total amount of fixed costs of the service by the number of customers per category, and the variable costs are calculated by dividing the total amount of variable costs by the volume consumed;

“Energy charge (active)” means a charge for each unit of energy consumer charged at c/kWh;

“units consumed” means the number of units of a particular service consumed and are measured in terms of the units of measurement contemplated in section 8 of this policy;

“variable costs” means costs that vary with increased or decreased consumption or volume produced.

2. Introduction and Purpose of this policy

- 2.1 The City of Matlosana Municipality must in terms of section 74(1) of the Local Government Municipal Systems Act, Act 32 of 2000, as amended, adopt a tariff policy on the levying of fees for municipal services provided by the municipality.
- 2.2 The tariff policy may differentiate between different categories of users, debtors, service providers, service, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.
- 2.3 Tariffs are calculated in various different ways, dependent upon the nature of the service being provided.
- 2.4 The tariff policy applies to the multi-year annual budget of a related year during which the income is based on the principles contained in this policy.
- 2.5 The purpose of this policy is:
- 2.5.1 to ensure compliance with the applicable legislation (Section 75 of the Act
 - 2.5.2 to prescribe procedures for calculating tariffs where the Municipality wishes to appoint service providers in terms of section 76(b) of the Act; and
 - 2.5.3 to serve as guidance to the designated councilor regarding tariff proposals that must be submitted to Council annually during the budget process.
 - 2.5.4 Ensure the tariffs of the municipality conform to acceptable policy principles.

3. Tariff principles

The following tariff principles based on the tariff policy set out in section 74(2) of the Systems Act, apply to the levying of fees for municipal services:

- 3.1. All users of municipal services must be treated equitably in the application of tariffs and the various categories of users must consequently pay the same charges based on the same cost structure;
- 3.2. The amount payable must be in proportion to usage and based on the tariff structure adopted for the approved category of users;
- 3.3. indigent households must have access to basic services through lifeline tariffs or direct subsidization in accordance with the Council's indigent support policy as reflected as part of its Customer Care, Credit Control and Debt Collection Policy;
- 3.4. Tariffs must reflect the total cost of services;
- 3.5. Tariffs must be set at a level that facilitates the sustainability of services; and
- 3.6. Sustainability must be achieved by ensuring that:
 - 3.6.1. cash inflows cover cash outflows, which means that sufficient provision for working capital or bad debts must be made; and
 - 3.6.2. access to the capital market is maintained by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on trading services.
- 3.7. Provision must be made in appropriate circumstances for a surcharge on a tariff if and when necessary for major breakdowns in infrastructure and periods of droughts when a restriction of usage is required;
 - 3.7.1. Efficient and effective use of resources must be encouraged by providing for penalties to prevent exorbitant use;

3.7.2. The extent of subsidization of tariffs must be disclosed by publishing the true costs of the service and the level of subsidy as well as the source of the subsidy.

4. Categories of users

The tariff structure of the City of Matlosana must make provision for the following categories of users:

- 4.1. agricultural;
- 4.2. business/commercial;
- 4.3. domestic indigent
- 4.4. domestic;
- 4.5. industrial;
- 4.6. institutional / government
- 4.7. rural;

5. Classification of services and cost elements

5.1. Classification of services

Provision for the following classification of services must be made:

5.1.1. Trading services

- 5.1.1.1. Electricity
- 5.1.1.2. Water

5.1.2. Economic services

- 5.1.2.1. Refuse removal
- 5.1.2.2. Sewerage Disposal
- 5.1.2.3. Recreation Resorts

5.1.3. Community services

- 5.1.3.1. Air pollution
- 5.1.3.2. Building control
- 5.1.3.3. Cemeteries
- 5.1.3.4. Child care facilities
- 5.1.3.5. Control of public nuisances

- 5.1.3.6. Control of undertakings that sell liquor to the public
- 5.1.3.7. Facilities for accommodation, care and burial of animals
- 5.1.3.8. Fencing and fences
- 5.1.3.9. Firefighting services
- 5.1.3.10. Fixed billboards and the display of advertisements in public places
- 5.1.3.11. Licensing and control of undertakings that sell food to the public
- 5.1.3.12. Licensing of dogs
- 5.1.3.13. Local amenities
- 5.1.3.14. Local sport facilities
- 5.1.3.15. Local tourism
- 5.1.3.16. Local Economic Development
- 5.1.3.17. Municipal parks and recreation
- 5.1.3.18. Municipal planning
- 5.1.3.19. Municipal public works, only in respect of the needs of the municipality in the discharge of its responsibilities and to administer functions specially assigned to it under the Constitution or any other law
- 5.1.3.20. Municipal roads
- 5.1.3.21. Noise pollution
- 5.1.3.22. Parking
- 5.1.3.23. Pest Control
- 5.1.3.24. Pounds
- 5.1.3.25. Public places
- 5.1.3.26. Storm-water management system in built-up areas
- 5.1.3.27. Street trading/street lighting
- 5.1.3.28. Trading regulations
- 5.1.3.29. Traffic
- 5.1.3.30. Tax Clearances Certificates / Valuation Certificates
- 5.1.3.31. Copy of Valuation Roll
- 5.1.3.32. Confirmation of Residential letters

5.1.3.33. Duplicate rates and services accounts

5.1.4. Subsidized services

5.1.4.1. Libraries

5.1.4.2. Primary Health Care

5.1.4.3. Proclaimed Roads

5.2. Cost elements

The following cost elements must be used to calculate the tariffs of the different services:

5.2.1. Fixed costs, which consist of the capital costs, interest on external loans as well as depreciation, whichever are applicable on the service and any other costs of a permanent nature as determined by the Chief Financial Officer from time to time.

5.2.2. Variable cost: This includes all other variable costs that have reference to the service.

5.2.3. Total cost is equal to the fixed cost plus variable cost.

6. Deposits

The raising of deposits is permissible where certain levies are made and payable with an application for relevant service:

6.1. Electricity and Water: Twice the average monthly consumption of the last 3 months with a minimum as determined annually according to the tariff schedule or as instructed by the Municipal Manager.

6.2. Deposits will be levied on all service accounts of properties.

6.3. Deposits will automatically be levied on accounts that have been transferred by means of change of ownership by the Deeds Office, the proof of registration documentation will a copy of the deeds search.

7. Tariff types

7.1. In setting service charges the Council must:

- 7.1.1. accurately reflect costs to achieve economic efficiency;
- 7.1.2. ensure equity and fairness between different types and categories of consumers
- 7.1.3. utilize appropriate metering and supporting technology; And
- 7.1.4. be transparent.

7.2. In determining the type of tariff applicable to the type of service the Council must make use of the following options or a combination thereof:

- 7.2.1. Single tariff: This tariff shall consist of a fixed cost per unit consumed. All costs will therefore be recovered through unit charges at the level of break-even consumption. Surpluses on trading services may be allowed subject to Council approval.
- 7.2.2. Cost related two-part tariff: This tariff shall consist of two parts. Management, capital, maintenance and operating costs will be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and be recovered by a fixed charge, independent of consumption for all classes of consumers, while the variable costs may be recovered by a unit charge per unit consumed.
- 7.2.3. Inclining block tariff: This tariff is based on consumption levels being categorized into blocks, the tariff being determined and increased as consumption levels increase. This tariff will only be used to prohibit the exorbitant use of a commodity. The first step in the tariffs will be calculated at break-even point. Subsequent steps will be calculated to yield profits and to discourage excessive use of the commodity.

7.2.4. Declining block tariff: This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase. This tariff will only be implemented during the existence of special agreements.

7.2.5. Basic / Availability charges: Is a customer charge for customer applied to a domestic rate group or other, levied for each month for erf, stand, plot or other area, with or without improvements, which is or, in the opinion of the Council can be connected to the main supplier, whether for electricity, water and sewer. Basic charge is payable by the registered owner of the stand/erf, plot or other area: provided that the property enlisted in the Municipality valuation roll.

7.2.6. Outside Municipal Area: These tariffs shall apply to consumers who are not residing within the municipal boundaries but are making use, on application, of certain services.

7.2.7. Recoverable work: These tariffs shall apply to consumers who are making use, on application, of certain recoverable services. The tariff will be calculated at actual cost plus a surcharge as determined with the actual tariffs.

8. Rebates

Rebates are allowed in accordance with the tariff schedule as determined by the Council annually.

9. Unit of measurement

The following units of measurement must, where possible, be used to determine tariffs:

9.1. Water

9.1.1. Water will be measured with a water meter, which meters will be read and consumption and be levied on a monthly basis unless the service is rendered through a pre-payment device: 9.1.1.1. Cost per unit (kiloliters consumed).

9.1.1.2. Basic cost plus cost per unit charge (kilolitres consumed)

9.1.2. Boreholes Usage

9.1.2.1. Boreholes will only be recognized as a water supply with a written letter of recommendation from the Water Section.

9.1.2.2. In case where the consumer has been using a borehole and borehole installation has been inspected and verified by Water Section, the estimated consumption reversal adjustment will be effected for a period not exceeding twelve (12) months prior to the query been lodged.

9.1.2.3. The onus lies on the consumer to check his/her monthly statement to ensure that he/she is not being charged on metered consumption, if there was usage.

9.1.3 Water leakages subject to the rebate system

9.1.3.1. Rebates will be granted for repaired undetected water leakages for a period not exceeding three months.

9.1.3.2. That it be accepted as policy that in cases of undetected water leakages on private property, the consumer pay for the normal water consumption as calculated by using the average consumption for three months prior to the leak, at the applicable sliding scale and that the "over-consumption" or "leak" to be paid at a fixed charge, based on the first category of the sliding scale of the water tariffs for the months in question, or at the tariff as calculated by the Chief Financial Officer at the time, subject to the provision of proof by the resident regarding:

9.1.3.2.1. The date on which the leak was first detected.

9.1.3.2.1.1. Rebates may not exceed three times a year

9.1.3.2.1.2. Steps taken by the resident to stop the leak

9.1.3.2.1.3. That the leak has actually stopped – investigation and confirmation by the council’s official.

9.1.3.3. Any damaged meters will be debited to the consumers account, should it be found that it was intentionally damaged by the owner or any other person

9.1.4 Multi-purpose use

9.1.4.1 Where water is supplied to a consumer where a combination of domestic and business categories is applicable, the tariff for business shall be applied

9.2 Electricity

9.2.1 Electricity will be measured with an electricity meter, which meters will be read and consumption will be levied on a monthly basis unless the service is rendered through a pre-payment device:

9.2.1. Maximum demand plus kWh consumed; or

9.2.2. Fixed (Basic) costs plus kWh consumed; or

9.2.3. Cost per unit KWH consumed; or

9.2.4. KVA

9.2.2 Where electricity is supplied to a consumer where a combination of domestic and business categories is applicable, the tariff for business shall be applied.

9.2.3. Solar Panel System

9.2.3.1 Solar Panel system will only be recognized as an electrical supply with a written letter of recommendation from electrical department.

9.2.3.2 In case where the consumer has been using a solar panel and Solar installation has been inspected and verified by the electrical department, the estimated consumption reversal adjustment will be affected for a period not exceeding 12 months prior to the query being lodged.

9.2.3.3 The onus lies on the consumer to check his/her monthly statements to ensure that he/she is not being charged on metered consumption, if there is any usage.

9.2 Refuse removal

9.3.1 The amount may be raised monthly. The levy is payable by the registered owner except for businesses with tenants and recoverable monthly:

9.3.1.1 Plastic bags per week/day (volume).

9.3.1.2 Containers per week (volume).

9.3.1.3. Truck load per volume or removal.

9.3.2 Where a refuse removal services is rendered to a consumer where a combination of domestic and business categories is applicable , the tariff for business shall be applied.

9.3 Sewerage

The amount may be raised monthly. The levy is calculated by one of the methods below and is payable by the registered owner and recoverable monthly:

9.4.1. Percentage of water consumption.

9.4.2. Percentage of water consumption plus costs for strength of disposal.

9.4.3. Basic charge: based on the number of properties within those categories of customers and fixed cost associated with the service.

9.4.4. Additional charge:

9.4.4.1. based on the area and variable costs of the services.

9.4.4.2. based on the number of properties within those categories of customers and variable costs of the service.

9.4.5. When the number of properties is not available, a flat rate, based on the average consumption per categories of consumers, will be applicable.

9.4 Property Rates

9.5.1. Property rates is calculated taking into account the total net expenditure from the other services less the revenue envisaged based on the total ratable valuations. The rates must be calculated in such a manner that the Council realizes a net surplus when adopting its tariffs.

9.5.2. Property rates are calculated according to valuation of a property. Council calculates the tariff on the market value as per Council valuation. On written request the amount may be raised monthly. The levy is payable by the registered owner and recoverable monthly.

9.5 Social benefits

9.6.1. The Council, in order to measure social benefits enjoyed by the community, has approved of the standards as set out in the tables below to achieve cost recovery and to measure service delivery, where possible.

9.6.2. Measures indicated should be calculated annually and used as a guideline to ensure meaningful reporting. Actual unit costs must be compared with budgeted costs.

10 FUNCTION / UNIT OR OUTPUT CLASSIFICATION BY COUNCIL

- Airfields - Number of landings Subsidized
- Art Gallery and Museum
- Number of attendance of community
- Engineering
- Administration
- Population
- Percentage of Municipal expenditure
- Community
- Building Section - Number of plans submitted
- Value of buildings
- Municipal value of buildings subsidized
- Caravan Park Number of bookings
- Number of sites subsidized
- Cemeteries Number of burials
- Number of graves subsidized
- Civic and other halls
- Number of bookings subsidized
- Cleansing, refuse removal and disposal
- Number of removals
- Population
- Number of properties
- Economic
- Corporate Services Population
- Percentage of total expenditure
- Community (Charged out)
- Council General Population
- Percentage of total expenditure □ Community (Charged out)
- Electricity Number of units purchased
- Number of units sold
- Number of connections

□

□

□

□

□

□

□

Trading

Estates Number of properties economic

Financial Services Percentage of municipal expenditure Population

- Community (Charged out)
- Fire Number of call-outs
- Number of properties subsidized
- Grant-in-aid Percentage of rates income Community Health
 - Clinics
 - Other

- Number of attendance
- Population
- Subsidized housing
- Housing (Selling and letting schemes)
- Number of dwellings economic
- Libraries - Number of members
- Number of books in stock
- Population
- Community
- Licensing - Number of licenses subsidized
- Marketing - Number of industrial properties
- Number of industries
- Community
- Municipal Manager - Percentage of municipal expenditure
- Population
- Community (Charged out)

□

□

□

-
-
-
-
- Parking Number of bays Community Parks and Recreation Number of properties Population
Community
Administration
Number of municipal staff
Population
Community (Charged out)
Recreation resorts Number of users
- Population
- Economic
- Roads and Storm water (including sidewalks)
- Length of roads
- Population
- Community
- Security and Civil Defense
- Number of installations Community Sewerage reticulation (Disposal)
- Number of connections
- Sewerage purified
- Population
- Economic
- Street lighting - Number of street lighting community
- Swimming pools - Number of attendance
- Population
- Subsidized
- Stores Number of stock items held
- Value of stock
-
-
-

-
-
-
-
- Number of orders
- Economic (fully charged out)
- Town Planning - Number of properties
- Population
- Community
- Traffic - Number of registered vehicles
- Population
- Subsidized
- Valuations - Number of properties
- Value of municipal valuations

Proposed

-
-
-

-
-
-
-

Community

Water - Number of units sold

Cost per unit supplied

Length of mains

- Kilolitres purified
- Cost per kilolitre purified
- Trading

11 Billing of estimated consumptions

11.2 The need to estimate consumption and the basis thereof

Notwithstanding all the City of Matlosana's attempts to take monthly meter readings of all water / electricity supplied, should it not be possible to take a reading on the appropriate date or if for some any other reason the reading could not be obtained, the City of Matlosana reserves the right to calculate an estimated consumption from the previous actual reading to the billing date. The estimates are normally based on the 2 to 6 months preceding the last date on which the meter was found to be registering correctly, or on the 2 to 6 months following the date from which the meter was again registering correctly. The seasonal historical average consumption at the property may also be used by the City of Matlosana to reflect its best estimate of what the consumption may have been.

11.3 Adjustment to estimated account

As soon as a new actual reading has been taken; the previously estimated consumption will be recalculated and an adjustment, either positive or negative, will reflect on the next account issued.

11.4 Failure of meter

During the period from identification of a meter having ceased reading, to when it is replaced and a reading can be taken, an estimated consumption will be applied.

Should a consumer have been billed a zero consumption for any period of time and it is subsequently found to have been due to a ceased water/electricity meter and the property was not vacant at the time or the usage pattern had not changed, the City shall bill retrospectively from the time that the meter had ceased until the time it has been replaced. Should the property have been vacant or where the usage pattern had changed, a signed and sworn affidavit needs to be provided for consideration.

11.5 No account received

In the event that an owner or occupier has consumed water or electricity but has never received an account, the onus will be on the owner to make representations to the City of Matlosana to request that an account be sent. Should the City of Matlosana not be able to verify that an account was indeed issued to either the owner or occupier, the City may bill for a period of not greater than three (3) years and the consumer may make arrangements with the City of Matlosana to pay off the amount. Any person, who has stopped receiving an account that has previously been received, should immediately request the City of Matlosana in writing to remedy the omission.

11.5 No access to the meter

In the event of the municipality not being able to gain access to a meter for two (2) consecutive meter readings, the customer shall be issued with a notice to restore access. Failure to comply with the written request, the customers services will be discontinued in respect of the premises to which that meter relates.

12. VAT

12.1. VAT at a standard rate is charged as per the existing national legislation on all tariffs and all sundry tariffs as indicated in the approved resolution.

12.2. VAT on property rates is charged at a zero rate

13. Determination, notice of tariffs, fees, levies, and objections

The Council may:

13.1. by resolution, supported by a majority of the members of the council, levy and recover levies, fees, taxes and tariffs, in respect of any function or service of the municipality;

13.2. Date, not earlier than 30 days from date of the resolution, on which such determination, amendment or withdrawal shall come into operation; and recover any charges so determined or amended, including interest on any outstanding amount;

13.3. In the event the City of Matlosana has identified that the basic fees or any service related charges were not charged where they should have been charged, the charges will be raised for the period not exceeding 24 months.

13.4. After a resolution as contemplated in subsection (2) has been passed, the municipal manager of the municipality shall forthwith cause to be conspicuously displayed, at a place installed for this purpose at the offices of the municipality, as well as at such other places within the area of jurisdiction of the municipality as may be determined by the municipal manager, a notice stating—

13.4.1. the general purpose of the resolution;

13.4.2. the date on which the determination or amendment shall come into operation;

13.4.3. the date on which the notice is first displayed; and

13.4.4. that any person who desires to object to such determination or amendment shall do so in writing within 14 days after the date on which the notice is first displayed.

13.5. Where—

13.5.1. no objection is lodged within the period referred to in subsection (4) (d) the determination or amendment shall come into operation as contemplated in subsection

13.5.2. an objection is lodged within the period referred to in subsection 13.4.4., the municipality shall consider every objection and may amend or withdraw the determination or amendment and may determine a date other than the date contemplated in subsection (2) on which the determination or amendment shall come into operation, where upon subsection 13.4.2. shall with the necessary changes apply.

14. *Phasing in of tariffs, fees and levies*

14.1. The council must annually consider the methods by which tariffs, fees and levies will be calculated and by resolution amend its tariff policy.

14.2. Where the newly calculated tariffs, fees and levies differ substantially from the current tariffs, council may resolve to phase in the differences over a period of time.

15. *Conflict of law*

15.1. When interpreting any provision of this policy, any interpretation that is reasonable and consistent with the objectives of the Local Government Municipal Systems Act as amended as set out in Chapter 8, Part 1, on service tariffs, must be preferred over any alternative interpretation, which is inconsistent with these objectives.

15.2. If there is any conflict between this policy and any other policy of the Council relating to tariffs, this policy shall prevail.

15. Short title and commencement

This policy is called the City of Matlosana Tariff Policy and shall come into operation on the date of adoption by Council with the approval of the annual budget for 2024/2025

Proposed

CITY OF MATLOSANA



VIREMENT POLICY

2024/2025

CITY OF MATLOSANA

VIREMENT POLICY

TABLE OF CONTENTS

- 1. INTRODUCTION**
- 2. PURPOSE**
- 3. DEFINITIONS**
- 4. LEGISLATION REQUIREMENTS**
- 5. OBJECTIVES OF POLICY**
- 6. VIREMENTS RESTRICTIONS**
- 7. BUDGET TRANSERS**
 - 7.1 TRANSFERS FROM REPAIRS AND MAINTENANCE**
 - 7.2 YEAR-END TRANSFERS**
 - 7.3 CAPITAL BUDGET TRANSFER**
- 8. DELEGATION ON CAPITAL BUDGET**
- 9. DELEGATION ON OPERATIONAL BUDGET -**
 - 9.1 TRANSFERS BETWEEN VOTES/FUNCTION**
 - 9.2 TRANSFERS BETWEEN COST CENTRES**
 - 9.3 TRANSFERS BETWEEN DIFFERENT CATEGORIES**
 - 9.4 TRANSFERS WITHIN CATEGORIES**
- 10 GENERAL**
- 11 DEVIATION FROM THE PROVISIONS OF THIS POLICY**
- 12 IMPLEMENTATION OF THIS POLICY**

VIREMENT POLICY

1. INTRODUCTION

The compilation of a virement policy is based on the guidelines issued in Budget Circular No 51 published by National Treasury. The MFMA as amended and the Municipal Budget and Reporting Regulations seek to move municipalities away from the traditional approach of appropriating/approving budgets by line item. The aim is to give the heads of municipal departments and programmes greater flexibility in managing their budgets. To further facilitate this, each municipality must put in place a council approved virements policy, which should provide clear guidance to managers of when they may shift funds between items, projects, programmes and votes.

- 1.1 *Webster's New Millennium™ Dictionary of English defines "Virement" as "a regulated transfer or re-allocation of money from one account to another, especially public funds."*
- 1.2 A virement represents a flexible mechanism to effect budgetary amendments within a Municipal financial year.
- 1.3 Changing circumstances and priorities during a financial period may give rise to a need to virement (transfer) funds within or between approved Votes, as defined in the Municipal Finance Management Act 56 of 2003 (MFMA) as amended. The treatment of such instances may, however, be dependent on whether an adjustment budget is required or not.

2. PURPOSE

- 2.1 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. A municipality's virement policy and its underlying administrative process within the system of delegations is one of these controls.
- 2.2 Section 81(1)(d) of the MFMA states inter alia that "The Chief Financial Officer of a 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."

- 2.3 It is the responsibility of each senior manager of each Directorate to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that funds are utilised effectively and efficiently.
- 2.4 Section 78(1)(b) 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-...(b) that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently;”
- 2.5 This policy aims to provide guidelines to senior management in the use of virements as a mechanism in their day-to-day management of their budgets. In addition, it specifically aims to empower senior managers with an efficient financial – and budgetary system to ensure optimum service delivery within the current legislative framework of the MFMA and the municipality’s system of delegations.

3 DEFINITIONS

- 3.1 **Accounting Officer (MFMA)**
“- (a) in relation to a municipality, means the municipal official referred to in section 60;”
- 3.2 **Chief Financial Officer (MFMA)**
“a person designated in terms of section 80(2)(a)”
- 3.3 **Senior Manager**
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...”
- 3.4 **Municipal Council**" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;
- 3.5 **Approved Budget (MFMA)**
“- means an annual budget-
(a) approved by a municipal council; or
(b) approved by a provincial or the national executive following an intervention in terms of section 139 of the Constitution, and includes such an annual budget as revised by an adjustments budget in terms of section 28;”
- 3.6 **Budget transfer**" means transfer of funding within a vote subject to limitations.
- 3.7 **Capital budget**” means a financial plan catering for large and long-term sums for investment in property, plant and machinery, over a period greater than the period considered under an operating budget.
- 3.8 **Operating budget**” An operating budget is the annual budget of an activity stated in terms of Budget Classification Code, functional/sub-functional categories and cost accounts. It contains estimates of the total value of resources required for the performance of the operations in terms of revenue and expenditure including reimbursable work or services for others;

3.9 **Cost Centre**

Cost centre is a cost collector which represents a logical point at which cost (expenditure) is collected and managed by a responsible cost centre owner.

3.10 **Financial year**

The 12-month period between 1 July and 30 June.

3.11 **Vote (MFMA)**

“(a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
(b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.”

3.12 **"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;

3.13 **Virement**

The process of transferring an approved budgetary provision from one operating cost element or capital project to another within a vote during a municipal financial year and which results from changed circumstances from that which prevailed at the time of the previous budget adoption.

4 LEGISLATION REQUIREMENTS

Chapter 4 of the Municipal Finance Management Act, No. 56 of 2003, states that the approval of the budget/appropriation is the responsibility of Council. This does not mean the approval of every line item but rather the approval of the budget which will give effect to the planned strategic priorities of the municipality's (IDP & SDBIP). There is no legislation that prevents Council from delegating authority to other levels as far as line items are concerned.

The process, format and other compliance requirements are regulated by the Municipal Finance Managements Act, No. 56 of 2003, the Municipal Budget and Reporting Regulations and National Treasury MFMA Circular No.51.

5 OBJECTIVES OF POLICY

This policy shall give effect to the requirements and stipulations of the Municipal Finance Management Act, Municipal Budget and Reporting Framework in terms of the Approved budget.

The policy sets out the virement principles and processes which City of Matlosana will follow during a financial year.

These virements will represent a flexible mechanism to effect budgetary amendments within

a municipal financial year.

6. VIREMENT RESTRICTIONS

In terms of Circular 51 issued by National Treasury, the following principles must be incorporated into municipal virements policies:

- Virements should not be permitted in relation to the revenue side of the budget;
- Virements between votes should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
- Virements from the capital budget to the operating budget should not be permitted;
- Virements towards personnel expenditure should not be permitted;
- Virements to or from the following items should not be permitted: bulk purchases; debt impairment, interest charges; depreciation, grants to individuals, revenue foregone, insurance and VAT;
- Virements should not result in adding 'new' projects to the Capital Budget;
- Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted; and
- There should be prudent limits on the amount of funds that may be moved to and from votes and sub-votes (e.g. not more than 5 per cent of the budget may be moved to or from a vote, programme, project etc.).

An approved virement does not give expenditure authority outside of what is allowed by Council's Supply Chain Management Policy.

Virements will only be approved if they facilitate and promote sound risk and financial management.

7. BUDGET TRANSFERS

The amount of a saving under a main expenditure category of a vote that may be transferred to another main expenditure category may not exceed ten per cent (10%) of the amount appropriated under that main expenditure category. Savings in an amount appropriated for capital expenditure may not defray operational expenditure.

7.1 TRANSFERS FROM REPAIR AND MAINTENANCE

As per directive from National Treasury only transfers to Repair and Maintenance votes will be allowed. No transfers from Repair and Maintenance to any other cost functions like Salaries; General Expenditure will be allowed.

7.2 YEAR-END TRANSFERS

This policy make provision for the transfer of funds at any financial year end to avoid any unauthorised expenditure. Such transfers must be approved within the framework set out in the delegations below.

7.3 CAPITAL BUDGET TRANSFERS

- a) Only virements which relate to projects approved as part of annual or adjustments budgets, will be permitted.
- b) No virements that will result in the adding of “new” projects onto the Capital Budget, will be allowed.
- c) Virements must be between projects of similar funding sources (e.g. grant funded ↔ grant funded).
- d) Implementation of the project from which funds are viremented may not be prejudiced (i.e. must not hinder completion of the project).
- e) Motivations for virements should clearly state the reason for the saving within the “giving” project, as well as the reason for the additional amount required.

8. DELEGATIONS ON CAPITAL BUDGETS

A Capital Budget is approved per line items or per project. This in effect means that Council does not allow any discretion to an official other than delivering on the decision. Any saving or shortfall must be reported to Council for Council to decide on the future utilisation of the savings as well as to seek additional funds for the execution of a project in the case of a shortfall in the budgeted amount to complete the project. Because of the fact that Council in fact decide on the individual projects or purchases this cannot be delegated and any discussion around such an item and changes must be approved by the Council.

9. DELEGATION ON VIREMENTS ~~TRANSFERS ON IN~~ - OPERATING BUDGETS

9.1 VIREMENTS ~~TRANSFERS BETWEEN~~ VOTES (FUNCTIONS)

A “Vote” in terms of the MFMA ~~National guidelines~~ is defined ~~determined~~ as one of the main segments into which a budget of a municipality is divided for the appropriation of funds ~~money~~ for different departments or functional areas. This specifies the total amount that is appropriate for the purpose of the department or functional area.

Council therefore decide on the total amount that is allocated to that specific function and classifies it as a vote, because council approves the “vote” only the shifting of funds within the “vote” can be delegated to Executive Mayor in consultation with the Accounting Officer and the Chief Financial Officer. As far as the reallocation of funds between “Votes” is concerned, it cannot be delegated and Council has to decide on each of them.

9.2 VIREMENTS BETWEEN COST CENTRES

Transfer of line item budgets between cost centres within a specific “Vote” is delegated to the Executive Mayor. The Executive Mayor is a chairperson of the Budget Steering committee where he/she will play their political oversight and where he/she can be informed by the Accounting Officer, the Chief Financial Officer and other senior functional managers. Any transfer of funds between cost centres by the Executive Mayor must be informed in writing by comments from the Accounting Officer and the Chief Financial Officer. The amount of transfer by the Executive Mayor is limited to R 1 000 000 per line item and any amount larger that this must be approved by Council. It is also a requirement that any transfer approved by the Executive Mayor be reported to full Council on a monthly basis.

9.3 VIREMENTS BETWEEN DIFFERENT CATEGORIES WITHIN COST/FUNCTIONAL CATEGORIES

The transfer of budgets between different categories within a functional or cost centre can be delegated. The approval will then be signed by the Municipal Manger on condition that a report for information must be submitted to Council every quarter. Any transfer application must be accompanied by comments from the Chief Financial Officer. Transfers in terms of this delegation is limited to R 500 000 per line item. In cases where this amount is exceeded, it will have to be submitted to the Executive Mayor for approval under his/her limitation of R1 000 000 or Council for approval for any case above R1 000 000.

9.4 VIREMENTS WITHIN CATEGORIES

The transfer of budgeted amount within categories is delegated to the Senior Manager and can only be considered on advice in writing by the Chief Financial Officer who will report to the Budget Steering Committee on a monthly basis on all transfers that were approved. The Accounting Officer can delegate his authority to the Chief Financial Officer. The maximum amount that can be transferred in terms of this delegation is R 250 000 per case. Anything above that amount must be referred to the Accounting Officer for approval under his/her limitation of R 500 000 per case. Anything above R 500 000 must be referred to the Executive Mayor under his/her limitation of R1 000 000 or Council for approval for any case above R1 000 000.

9.5 YEAR-END TRANSFERS

Year-end transfers will be allowed within the parameters set in section 9 above to avoid unnecessary unauthorized expenditure.

10. GENERAL

The purpose of this delegation is to improve the pace at which service delivery is done and to make functionaries more accountable for their actions. The delegation can be withdrawn at any stage for whatever reason.

Virements between existing line items or from existing line items to new line items as prescribed in the Municipal Standard Chart of Accounts (MSCOA) be allowed to eventually comply fully with the line items as per MSCOA within the parameters of the above delegations.

11. DEVIATION FROM THE PROVISIONS OF THIS POLICY

The Accounting Officer or his/her delegated official(s), may, deviate from the provisions(s) of this policy, where there is an existence of bona fide organizational or operational requirements.

12. IMPLEMENTATION OF THIS POLICY

This policy shall be implemented after adoption by Council and it will be applicable to City of Matlosana as from 1 July 2023.