

DRAFT BUDGET

2025/2026 - 2027/2028



VICTOR KHANYE
LOCAL MUNICIPALITY
MP311
31st MARCH 2025



VICTOR KHANYE

LOCAL MUNICIPALITY

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VICTOR KHANYE LOCAL MUNICIPALITY

VISION

A repositioned municipality for a better and sustainable service delivery.

MISSION STATEMENT

- Provide public value for money.
- To create a conducive environment for job creation and economic growth.
- To deepen democracy through public participation and communication.

CORE VALUES

- People first
- Accountability
- Empowerment
- Change
- Integrity
- Professionalism
- Resilience
- Openness

Impact and Outcomes

The IDP review process identified a number of goals and objectives that are aimed at creating a pathway for the municipality to realise its vision. These goals and objectives are aligned to the six Local Government Key Performance Areas as prescribed by the National Department of Cooperative Government and Traditional Affairs. The goals and objectives and also alignment to the strategic thrusts as identified by the political leadership of the Municipality. The strategic thrusts are the spring board upon which the goals and objectives were developed.

EXECUTIVE SUMMARY ON THE 2023/2024 TO 2025/2026 MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK (MTREF) DRAFT ANNUAL BUDGET

REASON FOR REPORT

To consider the tabling of the draft annual budget as per Municipal Finance Management act section number 56 of 2003.

BACKGROUND

In term of section 16 of MFMA (1). States that the council of the municipality must for each financial year approve an annual budget for the municipality before the start of that financial, year. (2). The mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

However, Section 24 of the MFMA (1). State that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

On the 27th March 2023 the budget steering committee convened to consider and have inputs on the draft budget as part of the tabling of the budget processes after the sitting with departments. The process will be followed as per the adoption of process of IDP/Budget. The draft annual budget and IDP will be advertise for 21 days for the community and all stakeholders to comment on the budget and have inputs.

Report by the Chief Financial Officer

1. National Treasury Issued Municipal Finance Management Act (MFMA) circular numbers 112 and 115 to guide the compilation of the 2023/2024 medium term revenue and expenditure framework (MTREF).
2. The 2023 national budget emphasized that economic growth has been weaker than forecasted and the CPIX is 6.9 per cent in 2023, in 2023/24 the decrease is 1,6% and in 2024/25 the decrease is estimated at 0,4.%. The 2022/24 budget highlights the difficult economic and fiscal choices confronting government over the next several years. The choices in priority spending that the municipality has to look into.
3. The high unemployment rate will impact on the municipality's ability to generate revenue. The declining economic growth which might be impacted international companies closing down as a result of national crises on electricity, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue .Therefore is it advisable to adopt a conservative approach projecting revenue, eliminate non-priority spending and

review how we conduct business to ensure value for money is obtained for all expenditure.

4. Financial challenges of Eskom continue to burden the public. Eskom was granted an increase of 18,7% for 2023/24 and 12,7% for 2024/25 on bulk cost of electricity. This increase will worsen the payment of services by the community, hence the municipality must strengthen the control on revenue collection and billing processes. National treasury is currently developing a debt relief that is conditional and application based for municipality owe or defaulting Eskom. The proposal of this debt relief consist of four elements which are as follow:
 - Eskom will write-off all debt municipalities owe as on 31 March 2023 (excluding the March 2023 current account). This will be done over three national financial years and require as a critical qualification that municipalities monthly honour their current (monthly consumption) Eskom and water accounts going forward and maintain a minimum average quarterly collection, etc
 - Secondly, new mechanisms are explored to resolve non-payment – this to include a dispute ombud mechanism and re-assigning the license of persistent defaulters;
 - Thirdly, Eskom will continue to implement a regime of installation of pre-paid meters in Eskom supplied areas to improve Eskom collection. Municipalities are additionally encouraged to adopt a similar operating regime; and
 - Lastly, the National Treasury will continue to implement municipal revenue enhancement initiatives, including a transversal tender for a smart pre-paid meter solution to change to a forward-looking culture of payment of the consolidated municipal bill

The detail to this application process for municipalities will be outline and publish. However, the main condition of this process will be the monthly honouring of current account for Eskom and water.

5. It is critical to give special attention to revenue management and credit control to ensure that the municipality's cash flow position is improved over a short term. The revenue management should give direction with the contractors who are assisting the municipality for collection. **Furthermore, the expenditure of the municipality needs serious intervention to loosen the overburden on the municipality.** The cash flow management committee needs to work together with the revenue enhancement committee in mongering of how the expenditure is incurred and on what.
6. Conditional grant funding targets national government service delivery priorities. The equitable share is designed to fund the provision of free basic services to the poor.

7. The main challenges experience during the compilation of the 2023/2024 MTREF can be summarized as follows:
- The increase in unemployment within the municipality due to the slow growth in the economic.
 - Ageing water, roads, sanitation and electricity infrastructure.
 - Reprioritization of projects and expenditure given the cash flow realities of the municipality.
 - Increase in the municipal contractor's services which put a strain on the cash flow management.
 - Revenue recovery, credit control and declining revenue base due to the current economic environment and the implication of the national electricity crises.
 - Increasing distribution losses on both electricity and water.
8. Considering the challenges, new ways need to be explored to become efficient to generate the required resources to maintain, renew and expand infrastructure.
9. The application of sound financial management principle is essential to ensure the municipality improve the financially viability status in order for the municipal services to be provided economically and sustainable. **The current municipality liquidity ratio is 0:39**
10. The mSCOA regulation will apply to all municipalities with effect from 1st July 2017 and the 2023/2024 MTREF budget has been aligned to the new mSCOA chart version 6.7. The chart will be streamed lined and further developed as transactions take place.

BUDGET FRAMEWORK

Total operating revenue increased when compared to the 2022/2023 amounting to R 775 800 937 annual budget and the amount budgeted for 2023/2024 amounts to R 808 580 320.

Victor Khanye Local Municipality A - Table A4 Budgeted Financial Performance

Description	Ref	2022/2023 Financial Period		
		Munsoft Budget Data 2023/24	Munsoft Budget Data 2024/25	Munsoft Budget Data 2025/26
R thousands	1			
Revenue				
Exchange Revenue	2			
Service charges - Electricity	2	347 266	364 282	381 403
Service charges - Water	2	67 794	71 116	74 459
Service charges - Waste Water Management	2	15 635	16 401	17 172
Service charges - Waste Management	2	14 257	14 956	15 659
Sale of Goods and Rendering of Services		3 137	3 291	3 446
Agency services		-	-	-
Interest		-	-	-
Interest earned from Receivables		59 387	62 296	65 224
Interest earned from Current and Non Current Assets		-	-	-
Dividends		-	-	-
Rent on Land		-	-	-
Rental from Fixed Assets		2 532	2 657	2 781
Licence and permits		-	-	-
Operational Revenue	2	392	411	431
Non-Exchange Revenue				
Property rates		97 467	102 243	107 049
Surcharges and Taxes		54 884	57 574	60 280
Fines, penalties and forfeits		1 686	1 768	1 851
Licences or permits	2	-	-	-
Transfer and subsidies - Operational		144 142	172 175	184 387
Interest	3	-	-	-
Fuel Levy	2	-	-	-
Operational Revenue		-	-	-
Gains on disposal of Assets	2	-	-	-
Other Gains	8	-	-	-
Discontinued Operations		-	-	-
Total Revenue (excluding capital transfers and contributions)		808 580	869 170	914 141

Total operating expenditure has increase to R 810 530 351 from R 820 059 811 The total increase is R 9.5 million.

Expenditure	4,5			
Employee related costs		201 504	211 377	221 312
Remuneration of councillors		9 101	9 547	9 995
Bulk purchases - electricity		185 000	194 065	203 186
Inventory consumed		119 205	125 046	130 923
Debt impairment	6	-	-	-
Depreciation and amortisation		52 046	54 596	57 162
Interest		33 352	34 986	36 630
Contracted services		71 449	74 950	78 473
Transfers and subsidies		7 336	7 695	8 057
Irrecoverable debts written off		103 571	108 646	113 753
Operational costs		38 153	40 022	41 903
Losses on disposal of Assets		-	-	-
Other Losses	7	-	-	-
Total Expenditure		820 716	860 931	901 395

The capital budget constitutes of **R31 076 500** for the financial year 2023/2024.

Description	Ref	2022/2023 Financial Period		
		Munsoft Budget Data 2023/24	Munsoft Budget Data 2024/25	Munsoft Budget Data 2025/26
R thousands	1			
Capital Expenditure - Functional				
<i>Municipal governance and administration</i>		3 453	3 610	2 215
Executive and council		-	-	-
Finance and administration		3 453	3 610	2 215
Internal audit		-	-	-
<i>Community and public safety</i>		-	-	-
Community and social services		-	-	-
Sport and recreation		-	-	-
Public safety		-	-	-
Housing		-	-	-
Health		-	-	-
<i>Economic and environmental services</i>		15 000	15 000	-
Planning and development		-	-	-
Road transport		15 000	15 000	-
Environmental protection		-	-	-
<i>Trading services</i>		12 624	11 157	-
Energy sources		1 000	1 500	-
Water management		5 034	3 657	-
Waste water management		3 090	1 000	-
Waste management		3 500	5 000	-
<i>Other</i>		-	-	-
Total Capital Expenditure - Functional	3	31 077	29 768	2 215
Funded by				
National Government		27 624	26 157	-
Provincial Government		-	-	-
District Municipality		-	-	-
Other transfers and grants		-	-	-
Transfers recognised - capital	4	27 624	26 157	-
Public contributions and donations	5			
Borrowing	6	-	-	-
Internality generated funds		3 453	3 610	2 215
Total Capital Funding	7	31 077	29 768	2 215

BUDGET PRINCIPLE

The municipality shall ensure that revenue projections in the budget are realistic taking into account actual collection levels. The expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

Victor Khanye Local Municipality shall prepare a three-year budget (medium term revenue and expenditure framework (MTREF) which will be reviewed annually and will be approved by Council. The MTREF budget will at all times be within the framework of the Municipal Integrated Development Plan (IDP).

The Section 21(1) of the Municipal Finance Management Act, Act 56 of 2003 stipulates that "the mayor of a municipality must 1) the mayor of a municipality must:

- (a) Co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revision of the integrated development plan and budget-related policies are mutually consistent and credible.*

IT IS RECOMMENDED (THAT):

1. The consolidated operating budget amounting to **R 808 580 320** exclusive of Capital budget as set out in the Municipal Budget Document as well as the relevant appropriation votes and budgeted cash flows are adopted by Council and constitute the Budget of the Victor Khanye Local Municipality for the 2023/2024 financial year.
2. Council take note that the inclusion of insurance paid on behalf of councilors according to the Upper Limits for Public Officers increased the insurance premium of Council substantially.
3. The capital budget to the amount of **R31 076 500** as set out in the Municipal Budget Document as well as the relevant appropriation segments and funding sources are adopted by Council and constitute the Capital Budget of the Victor Khanye Local Municipality for the 2023/2024 Financial year.
4. The budget for 2023/2024 is funded when excluding non-cash items which are (Debt impairment and Depreciation). The revenue enhancement strategy as part of the budget document to show how to work towards improving the current financial status of the municipality.
- 5.

- 5.1 Travel claims be paid with the monthly payroll run upon the submission of supporting documents;
- 5.2 No overtime will be paid in excess of 20 hours per month, excluding essential services such as water, electricity, sanitation, fire and cemeteries that is pre-approved by the Head of Department. The council to implement the Bargaining council resolution on the payment of overtime and standby. Where the employee can either be paid overtime or standby allowance and not two of them. Further implementation of the Bargaining council is the reduction of Acting within the municipality.
- 5.3 Refreshments be provided only for external meetings attended by external stakeholders where possible as per the cost containment measurements.
- 5.4 Eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.
- 5.5 Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.
- 5.6 The number of employees travelling to conferences or meeting on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.
- 5.7 Meetings, workshops and training events be held at the venues of the municipality at most (depending on the capacity to be accommodated) and no outside facilities (at a cost) be approved for internal stakeholder's meetings;
- 5.8 Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies;
- 5.9 Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount. The cell phone and data allowance policy be introduced to curb expenditure. Telephone staff expenses which are not work related should be deducted on the salaries.

- 5.10 Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment and the use of existing facilities and equipment is encouraged.
- 5.11 Any other cost containment measures as determined by the Accounting Officer in terms of these circulars and the policy.
- 6 That the vandalism and the theft of the municipal infrastructure should be reported by relevant department with 48 hours and accompanied by the reports of the theft of vandalism. This will assist the municipality in ensuring that the municipality does not lose out on insurance claim caused by negligent.
7. The current cash flow situation of Council is under severe pressure and the following cost containment measures are recommended for continued implementation in terms of National Treasury Circular 121 and Circular 123 to ensure that council continue to service its monthly liabilities.

The supporting information contained in the 2023/2024 to 2025/2026 Medium Term Revenue and Expenditure budget document as required in terms of Section 17(3) of the Municipal Finance Management Act (Act no. 56 of 2003) be endorsed.

7. The tariff structure as set out in the Municipal Budget Document be adopted by Council and constitute the tariff structure of the Victor Khanye Local Municipality for the 2023/2024 financial year for implementation with effect from 1 July 2023. Tariff increase is between 5.3- 20%.

Cemetery

The increased was based on the consultation with the forum and the bench making with other municipality of the same size. The structure was also reviewed based on the assessment.

Library

The library does not generate income to maintain its operation. There is a need for council to review And consider give up the library to Provincial government as it's not the core function of the municipality.

Fire Brigade Services

No increase on tariffs were made an assessment still need to be finalize in order to ensure that it aligned and are not expensive compared to other municipality.

Sewer and Plumbing

A study was conducted for cost reflective tariffs and the increased with be done in the process of three years, for affordability consumers.

Water

A study was conducted for cost reflective tariffs and the increased with be done in the process of three years, for affordability of the consumers.

Flat rate

Increase is per the Consumer Price index.

Electricity

Increased as per NERSA approval.

8. The indicative medium term budgets for the 2023/2024 and 2025/2026 financial years, as set out in the Municipal Budget Document, are adopted by Council and constitute the indicative medium term budget of the Victor Khanye Local Municipality.

Council take note of the following budget related policies attached approve all amendments to such policies:

The following are budget related policies and by laws.

- a. Indigent Policy
 - b. Tariff Policy
 - c. Provision for doubtful debt and write off Policy
 - d. Supply Chain Management Policy
 - e. Rates Policy
 - f. Petty Cash Policy
 - g. Inventory Policy
 - h. Asset Management Policy
 - i. Pay day policy
 - j. Virement Policy
 - k. Contract Management Policy
 - l. Staff and councilors payment Policy
 - m. Monitoring and Evaluation of Service Providers Policy
 - n. Loss control Policy
 - o. Debt collection and Credit Control Management
 - p. Cost containment Policy
 - q. Financial Regulation for Victor Khanye Municipality
 - r. Cash Management and Financial Procedures Policy
 - s. Budget Policy
 - t. Tariff by law
 - u. Credit Control By law
9. Service delivery objectives and plans (SDBIP) for each of the segments as set out in the 2023/2024 Municipal Budget Document be drafted and submitted to the Executive Mayor for approval and tabled in Council for notification before the start of the new financial year.

10. The council to approve the organogram as part of the budget documents. The council to take note that the employee remuneration cost is now at threshold of 30% to the operational budget.

VICTOR KHANYE LOCAL MUNICIPALITY



EXECUTIVE SUMMARY

2025/2026

DRAFT ANNUAL BUDGET

A. MUNICIPAL ENTITIES / EXTERNAL MECHANISMS

The Municipality does not make use of any entities or external mechanisms for services delivery within the municipal area.

B. FINANCIAL AND SERVICE DELIVERY IMPLICATIONS

The 2025/2026 operational budget has increase especially of electricity revenue.

During the year under review, the Council will maintain all municipal services as per the approved tariff structure of the municipality. Tariffs were determined for all the municipal services as reflected in the tariff policy and to such an effect that it is based on cost recovery as far as possible. In the case of those services, on which a shortfall is recorded, said shortfall will be financed through property rates. In the case of shortfalls due to the implementation of the indigent policy, these shortfalls are recovered from the equitable share.

Attached to the budget document are the relevant budget tables as required by the Municipal Budget and Reporting Regulations (Gazette no 32141 dated 17 April 2009).

During the budget year no transfer will be made in terms of Section 12 of the Municipal Finance Management Act, no 56 of 2003.

C. CONSOLIDATED FINANCIAL POSITION AND MTREF

Operating Budget (OPEX)	-	(R 897 589 757)
Less: Depreciation	-	(R 53 278 580)
Irrecoverable debts written off	-	(R 31 594 135)

Operating Budget (Opex) without non- cash item	-	<u>R 812 717 042</u>
Capital Budget (CAPEX)	-	<u>R 63 995 000</u>

Expenditure breakup:

- Employee related costs	-	210 721 865
- Councilor remuneration	-	12 145 937
- Provision for depreciation	-	53 278 580
- Finance charges	-	50 000 000
- Bulk purchases	-	228 173 619
- Contracted Services	-	122 668 151
- Inventory consumed	-	121 450 000
- Irrecoverable debts written off	-	31 594 135
- Other expenditure	-	<u>67 557 470</u>
Total		897 589 757

Revenue breakup:

- Property Rates	-	128 919 557
- Electricity revenue	-	246 628 476
- Water revenue	-	78 691 073
- Sanitation revenue	-	14 391 914
- Refuse revenue	-	15 371 824
- Interest revenue (Debtors)	-	218 344 890
- Government Grants	-	142 155 012
- Rental income	-	1 641 357
- Fines and permit	-	2 234 995
- Other revenue	-	<u>74 087 088</u>
Total		929 643 224

Operational Budget:

- Own funding	-	787 488 212
- External funding	-	142 155 012

Total Capital Budget:

- Own funding	-	34 350 000
- MIG	-	29 645 000

Projects included in operating budget

Ward committees	-	1 200 000
Community Development Projects	-	1 200 000
Youth development	-	2 950 000
Revision of plans (IDP/LED)	-	5 000 000

Tariff increases (Avg.)

All tariffs	-	4.4-20%
Winter tariff on electricity		

Flat rates:

Special indigents with no income	=	R0 p/m + actual consumption
Registered Indigents < R4620	=	R0 p/m + actual consumption
Flat rate	=	R606.85 pm

Free basic services

6kl water per month to all indigent registered households.

50 kWh electricity per month to all indigent registered households.

Credit control on outstanding debt

60/40 for electricity on outstanding accounts.

Sources of finances:

MIG – Municipal Infrastructure Grant	-	29 645 000
Operating funding (Own funds)	-	34 350 000

E. MUNICIPAL SERVICES DELIVERY PRIORITIES AND OVERVIEW OF ALIGNMENT WITH THE INTEGRATED DEVELOPMENT PLAN

The Integrated Development Plan of the municipality consists of several issues raised which is summarized under the following five KPA's:

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Financial Viability and Management
4. Municipal Institution Development and Transformation
5. Good Governance and Community Participation

Basic Service Delivery

It remains a priority for the Victor Khanye Local Municipality to provide clean potable water to the community. The municipality will provide continue to do so and will provide water for new developments. In conjunction with the upgrades to the water infrastructure, sanitation will be improved to cater for the increase in the demand and the growth of Victor Khanye.

The main capital project of the municipality is Boreholes and the refurbishment of Waste Water Treatment plant. About other municipal services, substantial provision was made for the overall improvement and repairs of infrastructure which is 5% of the total expenditure budget. As funding sources for these needs as identified in the Integrated Development Plan (IDP), Council will utilize the municipal infrastructure grant (MIG) as well as a contribution from the Nkangala District Municipality.

The budget was drafted with reference to the Integrated Development Plan of the municipality and reference is made via the Capital Program to the IDP.

Local Economic Development

Provision was made under mscoa segment: Executive & Council for local economic development as an expenditure item. Programs as identified in the IDP will be funded from these provisions.

Municipal Financial Viability and Management

Revenue enhancement projects that includes meter reading equipment, prepaid meters installation for both electricity and water, debt collection strategies as well as the implementation of a revenue enhancement strategy. Provision was made via the relevant mscoa segments in the budget. Installation of meters for water and electricity.

Municipal Institution Development and Transformation

Provisions were made for an employee wellness program as well as the training of officials in order to comply with the competency regulations.

Good Governance and Community Participation

In order to comply with the requirement of good governance, Council approved provisions for the review and update of policies and by-laws. Risk assessments were performed and forms the basis for the internal audit plan. Council make use of a shared internal audit committee with the Nkangala District Municipality. MPAC was established and maintained.

With regards to public participation, Council made provision under the mscoa segment: Executive & Council for several community outreach programs as well as the upheld of a well established ward committee system.

2024/2025 BUDGET PROCESS

[illegible]

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF DRAFT BUDGET PROCESS

2025/2026

Section 53 of the MFMA requires that the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal and Reporting Regulation states that the Executive Mayor must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibility set out in section 53 of the Act.

The budget steering committee consists of the Municipal Manager and all senior officials of the municipality, all the MMC and 2 other councils and it is chaired by the Executive Mayor on the 24 March 2025 to consider the all the budget inputs in line with what the municipality needs to achieve for the year 2025/2026.

The primary aim of the Budget Steering Committee is to ensure:

1. That the process followed in compiling the budget complies with legislation and good budget practices.
2. That there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality.
3. That the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
4. That the various spending priorities of the different municipal department are appropriately evaluated and priorities in the allocation of resources.

IDP/Budget process overview

In terms of section 21 of the MFMA, the Mayor is required to table in the council ten months before the start of the new financial year (August 2023) a time schedule that set out the process to revise the IDP and prepare the budget, which was adopted under the council resolution adopted IDP/Budget Process Plan on the 31st August 2024.

The process that was followed to guide the review of the municipality 2025/2026 financial year involved various phases which their respective outcomes.

The financial planning process leading up to the 2025/2026 MTREF, based on the approved 2024/2025 MTREF, Mid-year Review and assessment and adjustments budget.

With the compilation of the 2025/2026 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2025/2026 Department Service Delivery and Budget Implementation Plan. The municipality also had a strategic planning to look into what need to happened in the next coming years and the other years.

Public Participation and consultative process

This process includes the following

1. Registration of community needs;
2. Compilation of department business plan including key performance indicators and targets;
3. Public participation process;
4. Compilation of the SDBIP;
5. The review of the performance management and monitoring process.

Financial modeling and key planning drivers

As part of the compilation of the 2025/2026 MTREF, extensive financial modelling was undertaken to ensure affordability and long term financial sustainability. The following key factors and planning have informed the compilation of the 2024/2025- 2026/2027 draft budget and MTREF:

1. Rapid growth of the municipality since it's in the boarders of two provinces namely (Gauteng and Mpumalanga)
2. Asset maintenance
3. Economic climate and trends (inflation, Eskom increases, household debt and closure of mines in the VKLM area)
4. Improved and sustainable services delivery
5. Debtor payment levels
6. Cash Flow Management
7. The approved 2024/2025 adjustments budget and performance against the SDBIP
8. Tariff tool use which indicates the increases of tariffs versus the ability of the community to pay the services.
9. Review of the non-funding part of the budget.

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE IDP

2025/2026

The Constitution mandates local government with the responsibility to exercise local development and cooperative governance. The eradication of imbalances in South Africa society can only be realized through a credible integrated development planning process.

Municipality in south Africa need to utilize the Integrated Development Planning as a method to plan future development in their area and so find the best solution to achieved sound long-term development goals. A Municipal IDP provides a five year strategic programme of action aimed at setting short term, medium term and long term strategic and budget priorities to create a development platform which correlates with the aim of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is, therefore, a critical instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to find the best solutions towards sustainable development jointly. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

The IDP developed by municipalities must correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the City, issues of national and provincial importance should be reflected in the IDP of the City. A clear understanding of such intent is therefore imperative to ensure that the City strategically complies with the key national and provincial priorities.

This revision cycle aimed to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is, therefore, to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include, amongst others:

1. Green Paper on National Strategic Planning of 2009;
2. Government Program of Action;
3. Development Facilitation Act of 1995;
4. Provincial Growth and Development Strategy (GGDS);
5. National and Provincial spatial development perspectives;
6. Relevant sector plans such as transportation, legislation and policy;
7. National Key Performance Indicators (NKPis);
8. Accelerated and Shared Growth Initiative (ASGISA);
9. National 2014 Vision;
10. National Spatial Development Perspective (NSDP); and (k) The National Priority Outcomes.

National priorities

The President on his 2023 State of the Nation Address mention five national priorities which should be embedded by all spheres of government on the planning and budgeting processes for the medium-term. The government has introduced a programme which sick to revive the economic which collapse during the pandemic the programme is called Economic Reconstruction and Recovery Plan.

The five national priorities are:

1. Growing the economy and jobs;
2. Building better lives;
3. Fighting corruption;
4. Making communities safer; and
5. Investing in infrastructure

To achieve this national priority, municipality when finalizing budget will explore opportunities to align with the national priorities.

IDP strategic objectives

1. Basic Service Delivery
2. Local Economic Development
3. Municipal Financial Viability and Management
4. Municipal Institution Development and Transformation
5. Good Governance and Community Participation.

Basic Service Delivery

It remains a priority for the Victor Khanye Local Municipality to provide clean potable water to the community. The municipality will ensure that provision for potable water is achieve especially in areas where they have been struggling for years in the new developed areas. In conjunction with the upgrades to the water infrastructure, sanitation upgrade in the Waste Water treatment plan in respond to the increasing population demand and the growth of Victor Khanye.

The municipality is engaged in different programs (1) The refurbishment of the Delmas Water Treatment Plant (2) the non-revenue water services project (3) Road construction at Ward 6 (4) Refurbishment of Boreholes and the Refurbishment of the Water Treatment plan.

With regards to other municipal services, substantial provision was made for the overall improvement of the roads network. As funding sources for these needs as identified in the Integrated Development Plan (IDP), Council will utilize the municipal infrastructure grant (MIG) as well as a contribution from the Nkangala District Municipality.

The budget was drafted with reference to the Integrated Development Plan of the municipality and reference is made via the Capital Program to the IDP.

Local Economic Development

Provision was made under the mscoa segment: Executive & Council for local economic development as an expenditure item. Programs will be funded from these provisions.

Municipal Financial Viability and Management

Revenue enhancement projects, meter audit, cost of energy project, implementation of the valuation roll system and indigent system, data cleansing, in-house debt collection unit, installation of smart meters for both electricity and water as well as the implementation of a revenue enhancement strategy. Provision was made via the relevant segment in the budget. The municipal extended management committee meets every Friday to discuss and implement revenue enhancement strategies

Municipal Institution Development and Transformation

Provisions were made for an employee wellness program as well as the training of officials in order to comply with the competency regulations. Training also includes the priority capacity need raised by department (i.e plumbing, electricity and customer care). The municipality also funds its employees for further of the studies if they need to and sufficient provision is made to implement such

Good Governance and Community Participation

In order to comply with the requirement of good governance, Council approved provisions for the review and update of policies and by-laws. Risk assessments were performed and forms the basis for the internal audit plan. Council make use of a shared internal audit committee with the Nkangala District Municipality. Disciplinary board was established and is function attending to cases referred to it by the municipal manager.

About public participation, Council made provision under the segment: Executive & Council for several community outreach programs as well as the upheld of a well-established ward committee system.

VICTOR KHANYE LOCAL MUNICIPALITY



MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

2025/2026

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

Oversight

1. By parliament
2. Provincial legislature
3. Municipal council

The performance of the municipality relates directly to the extent to which it has achieved success in realizing its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted automated performance management system which encompasses:

1. Planning (setting goals, objectives, targets and benchmarks);
2. Monitoring (regular monitoring and checking on the progress against plan);
3. Measurement (indicators of success);
4. Review (identifying areas requiring change and improvement);
5. Reporting (what information, to whom, from whom, how often and for what purpose);
6. Improvement (making changes where necessary).

The performance information concepts used by the municipality in its automated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury.

Financial performance indicators and benchmarks

Borrowing management

Capital expenditure in local government can be funded by capital grants, own source revenue and long term borrowing. The ability of the municipality to raise long term borrowing is mostly depended on its creditworthiness and financial position. The ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved is critical in meeting the repayments of debt service costs. As part of compilation of 2022/2023 MTREF, the potential of smoothing the debt profile over the longer term will be investigated.

Liquidity

The current ratio is a measure of the current assets divided by the current liabilities, the current ratio is 0.8 in the 2025/2026 financial year it will be 1.0 and 1:1 for 2026/2027 and improve the levels to be more than 1: in the future.

Revenue Management

As part of the financial sustainability strategy, the municipality will intensify its revenue enhancement strategy. The strategy intends to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

Creditors Management

The municipality will continue to work to ensure that creditors are settled within the legislated 30 days of invoice, although the liquidity ratio is still a big concern for the municipality.

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET RELATED-POLCIES

2025/2026

Proper budgets are prepared in accordance with approved policies. A budget related policy is a municipal policy affecting or affected by the annual budget of the municipality. These policies are necessary for effective financial management and the achievement of priorities and strategic goals of the community. The budget related policies are reviewed annually during the budget preparation process.

The following budget related policies is attached herewith:

1. Property Rates Policy

The municipality has compiled a General Valuation Roll which serves as a basis for the implementation of Municipal Property Rates Act.

2. Cash Management and Financial Procedures Policy

The policy is based on the management of cash in the municipality and the delegations of the personal responsible for cash management. The policy implementation gives guides to related practices.

3. Indigent Policy

The objectives of the policy will be to ensure the following

- (a) The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of council.
- (b) The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidization.
- (c) To enhance institutional and financial capacity of the municipality to implement the policy.

4. Credit Control & Debt Collection Policy

The policy is required in terms of chapter 9 of the Municipal System Act 9 (MSA) A policy must be developed in order to provide for a mechanism on which credit control and debt collection measures will be enforced. The guidelines required by the Act in terms of s 97(1)(a) – (i) is clearly indicated in the policy. Section 98 of the MSA.

The objectives of the policy are to;

1. Provide a framework within the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection. 2023/2024 – 2025/2026 Tabled Draft Annual Budget and Medium Term Revenue and Expenditure Framework.
2. Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner.
3. Outline the procedures that will ensure that the members of the local community is afforded the opportunity to contribute in the decision-making processes of the municipality and that they are informed of the decisions and affairs of the municipality.
4. Outline credit control and debt collection policy procedures and mechanisms.
5. Provision for Doubtful Debt and Write-off Policy
6. Tariff Policy (Funding)
7. Supply Chain Management Policy
8. Petty Cash Policy
9. Inventory Policy
10. Virement Policy
11. Asset Management Policy
12. Financial Regulations
13. Loss Control Policy
14. Staff and councilors payment policy
15. Cost containment Policy

The above policies are available for inspection from the Office of the Chief Financial Officer, Municipal Building, C/o Samuel Avenue and Van der Walt Street, Delmas.

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET ASSUMPTIONS

2025/2026

During the compilation of the budget, various budget assumptions were considered in order to compile a credible and realistic budget that supports the achievement of long term financial and strategic objectives.

The following local and national economic and social indicators / guidelines were considered in the compilation process:

- Political and national strategic objectives and guidelines
- Guidelines and circulars from National Treasury
- Electricity distribution license requirements and guidelines from the National Electrification Regulator of South Africa (NERSA)
- Debt Relief Fund as outline in circular 124
- Municipal priorities and basic needs as identified in the Integrated Development Plan
- Liability placed on future budgets of the municipality.
- CPIX – Inflation rate. Possible increases in general operating expenditure as well as increases in personnel expenditure.
- Affordability levels of the community to contribute to the budget in relation to tariffs increase when using the tariff tools.
- Increase/Decrease in community numbers and institutions in the municipal area.
- The state of the nation Address by the President
- Macro-economic strategies tabled by the Minister of Finance during his budget speech.
- National/Provincial Government strategies.
- Allocations to local government.

In terms of the national guidelines it was endeavored to keep budget increases within the national economic indicators. Guidelines issued under circulars all previous budget circular including 126, 128 and 129 from National Treasury, required the municipality to make certain adjustments to expenditure and income which resulted in a budget increase in excess of the CPIX, to take consideration that the nation is faced with unemployment

VICTOR KHANYE LOCAL MUNICIPALITY



OVERVIEW OF BUDGET FUNDING

2025/2026

The budget of Council consists of an operating budget and a capital budget. The 2025/2026) budget is funded as follows:

Operating Budget

- Property rates
- Service charges from municipal services (electricity, water, sanitation, waste management and other general services)
- Interest received from investments and outstanding debtors
- Rent of facilities (municipal properties)
- Fines
- Licenses and permits
- Operating grants and subsidies

Municipality is in the processing of ensuring that it ring fenced in order to ensure that each service is funded as far as possible from its own income sources. However, with current distribution losses the municipality has not yet been able to fully attained the self-financing from each services because of the distribution losses faced by Electricity section because of illegal connection from informal settlements and tempering of meter which leads to non-buying of electricity old infrastructure which lead to abuse by **Large power users**. The municipality has replaced 50% of its Electricity prepaid meters to address the losses. The municipality is in the process of installing AMI system for correct meter reading. The water services are also **facing 58%** of distribution losses that is contributed by the old infrastructure incorrect reading of meter and direct connection by consumers. The property rate is the only revenue sources which seems to be improving after data cleansing was done. The Equitable Share from National Government is utilized to subsidized poor households registered in term of Council's Indigent Policy. **The municipality has also compiled a revenue funding plan for improve the revenue sources of the municipality and deal with the risk which are affecting the municipality to grow its revenue source.**

Capital Budget

The Capital Program is financed from the following sources:

- Contributions from own revenue

- Contributions from National Government (MIG)
- Contribution from WIG
- Contribution from the Nkangala District Municipality

The funding compliance measurement table essentially measure the degree to which the proposed budget complies with the funding requirement of the MFMA.

1. Funding compliance measurement
2. Funding compliance measures
3. Cash and cash equivalent position
4. Cash plus investment less application of funds
5. Monthly average payments covered by cash or cash equivalents
6. Surplus/deficit excluding depreciation offsets
7. Debt impairment expenses

VICTOR KHANYE LOCAL MUNICIPALITY



LEGISLATION COMPLIANCE STATUS

2025/2026

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities;

In-year reporting

Reporting requirements in terms of the Municipal Finance Management Act and its regulations have been complied with. The municipality is currently in the process of finalizing the 2025/2026 third quarter budget performance report that must be submitted to council within 30 days in terms of section 52 (d) of the Municipal Finance Management Act no 56 of 2003.

Internship program

The municipality is participating in the Municipal Financial Management Internship program and has employed seven (4) interns undergoing training in various sections of the Financial Management Department.

Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

Audit Committee

An Audit Committee has been established and is fully functional and continues to play oversight over the implementation of audit plan. The Audit Committee it's a shared service for Nkangala District Municipality.

Service Delivery and Implementation Plan

The detail Service Delivery Budget and Implementation Plan document is at a draft stage and will be finalized within 28 days after the tabling of the final 2025/2026 – 2027/2028 Medium Term Revenue and Expenditure Framework on 31st May 2025 directly aligned and will be informed by the 2025/2026 IDP and budget.

Annual Report

The annual report is compiled in terms of the Municipal Finance Management Act and its regulations.

Policies

All budget-related policies are part of the documents.

VICTOR KHANYE LOCAL MUNICIPALITY



**COUNCILLOR ALLOWANCES, EMPLOYEE BENEFITS and
ORGANOGRAM**

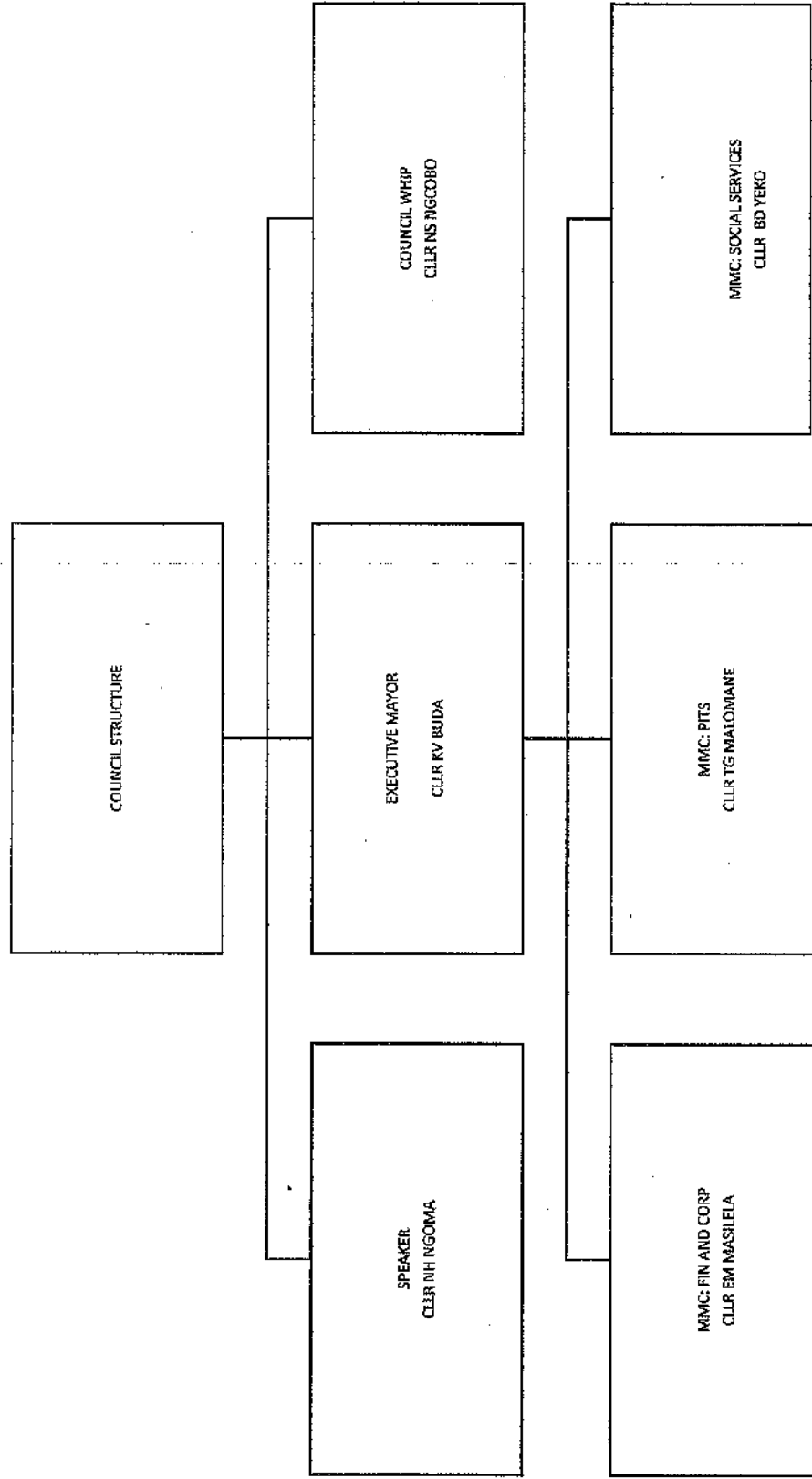
2025/2026

VICTOR KHANYE LOCAL MUNICIPALITY ORGANISATIONAL STRUCTURE 2025/26 FINANCIAL YEAR

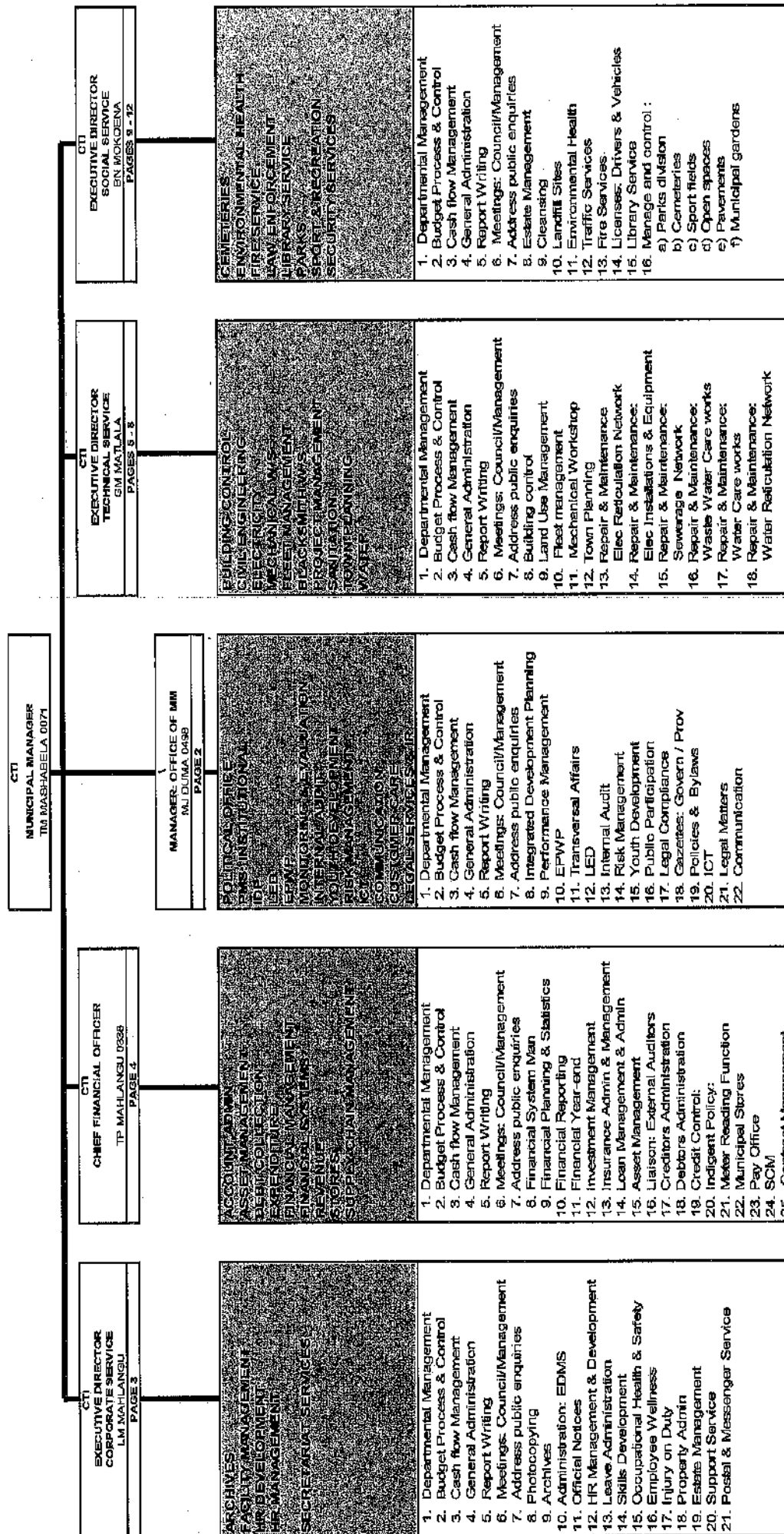


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EXECUTIVE OVERVIEW

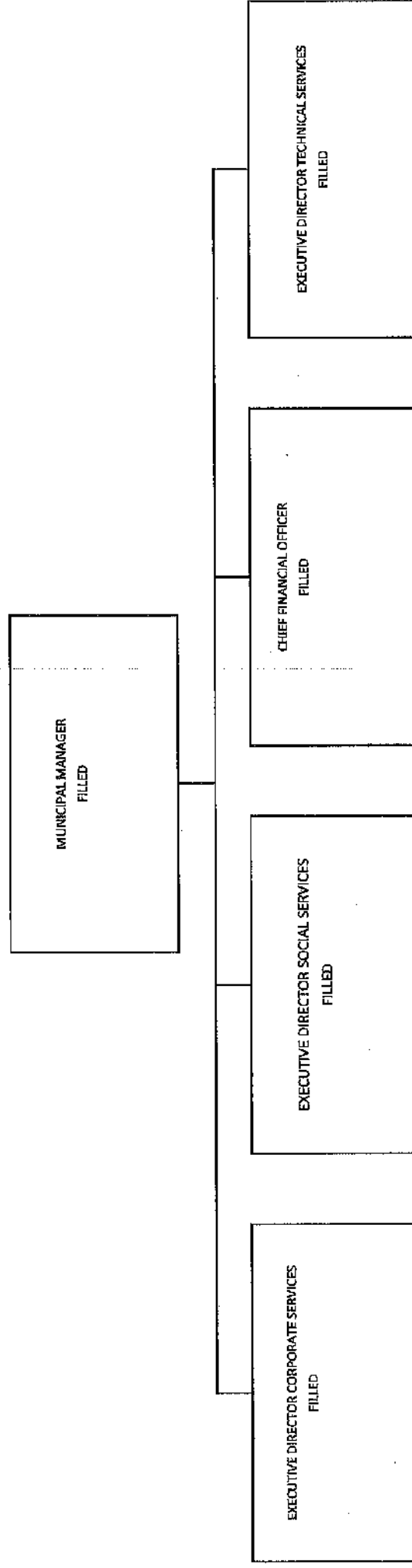


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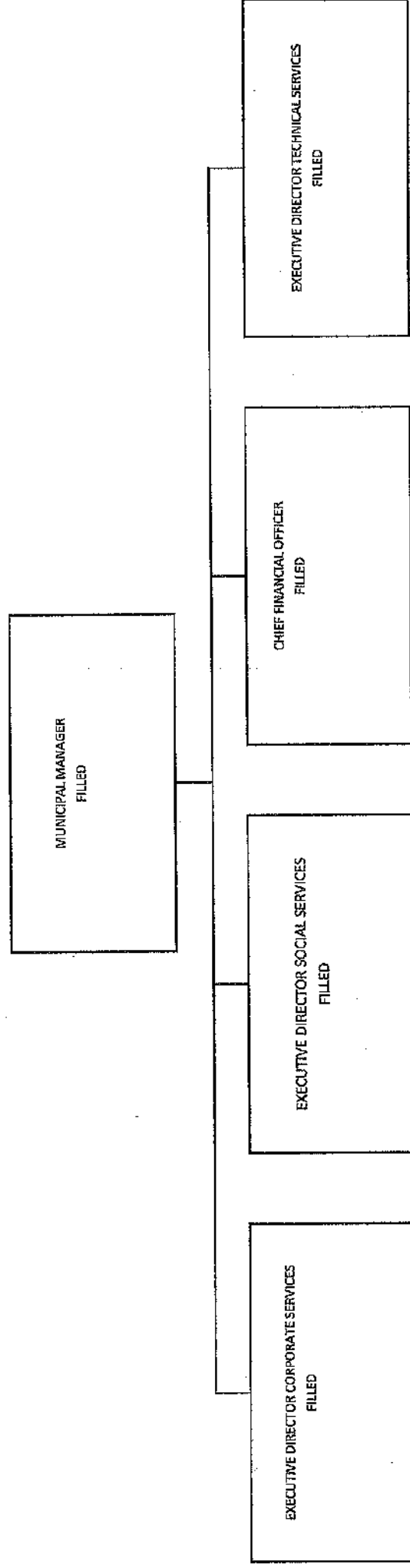
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SENIOR MANAGEMENT: STRATEGIC TEAM



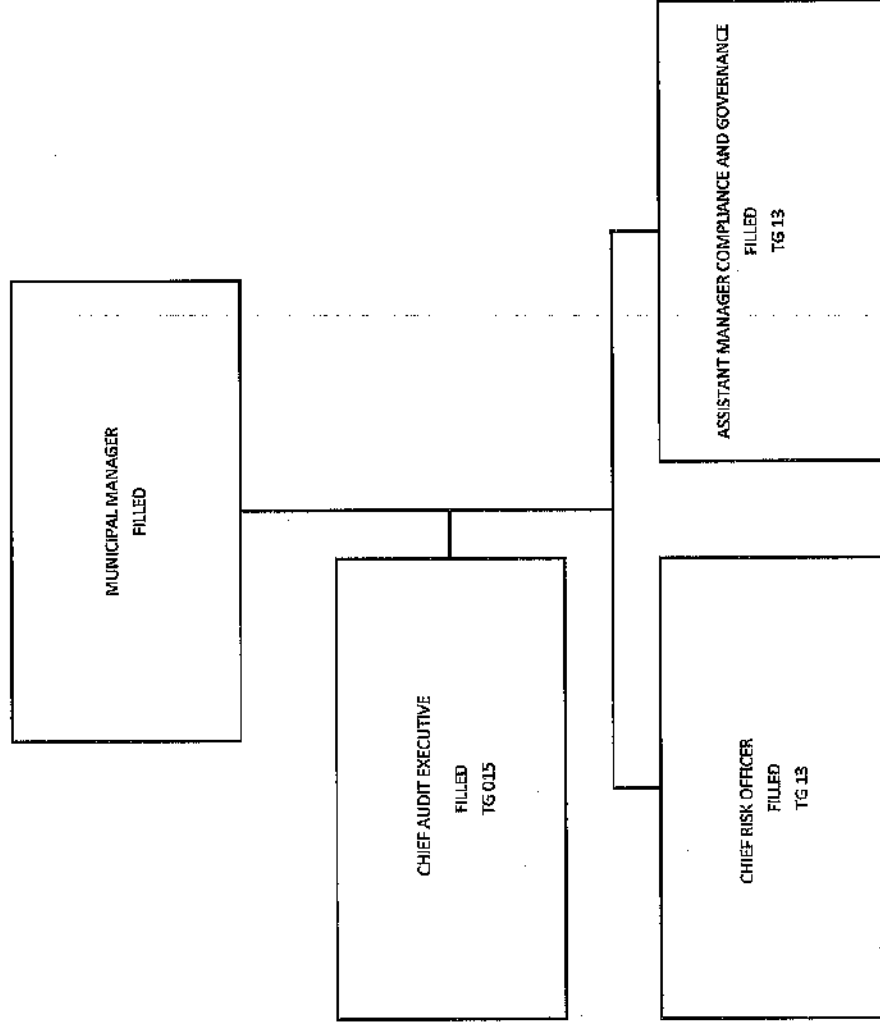
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SENIOR MANAGEMENT: STRATEGIC TEAM



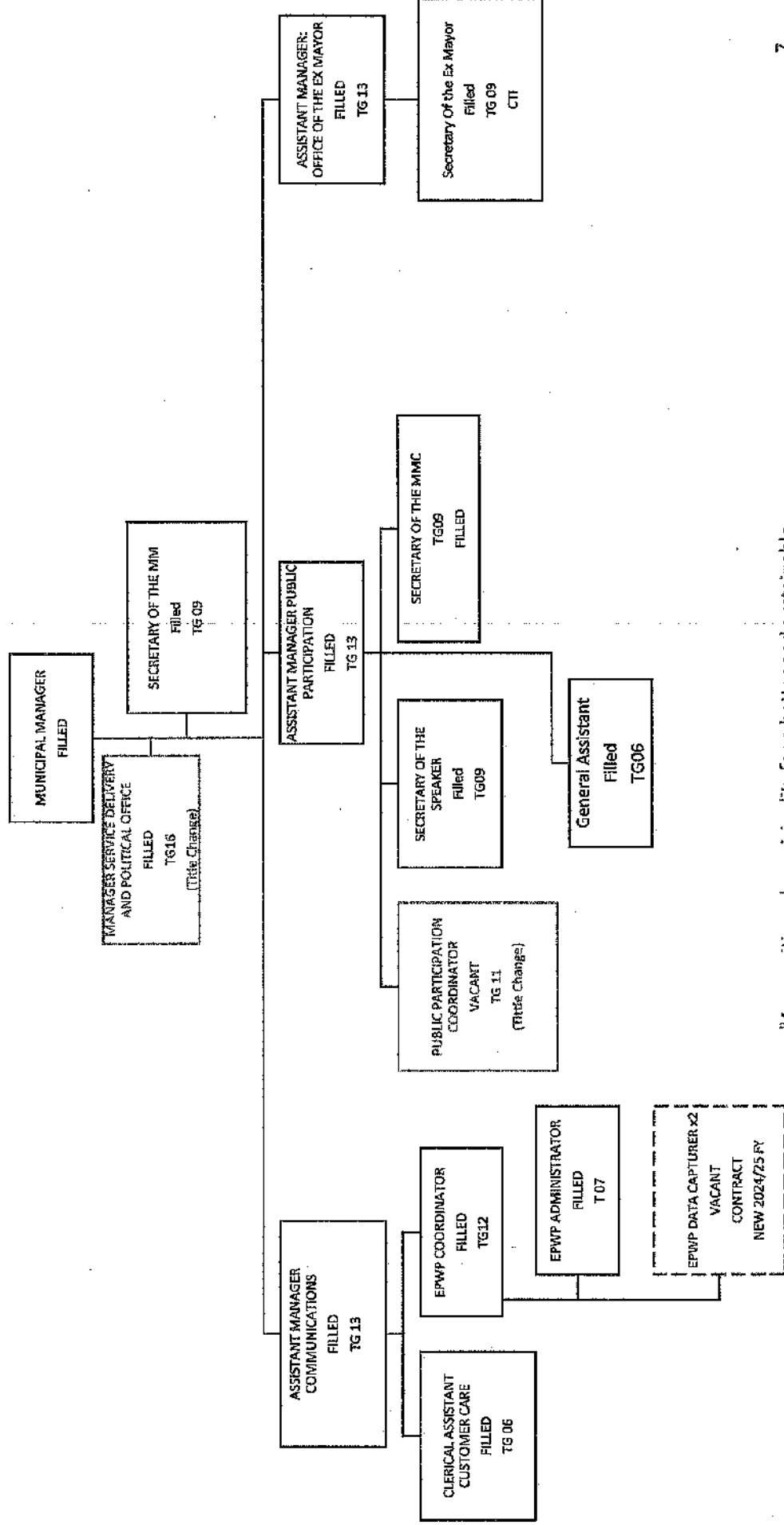
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MUNICIPAL MANAGER DIRECT SUPPORTIVE REPORTS



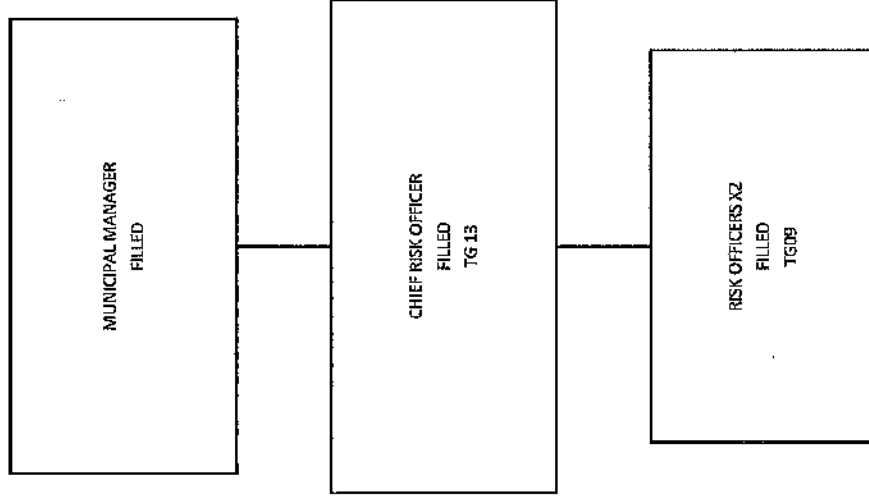
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MUNICIPAL MANAGER OFFICE:SERVICE DELIVERY



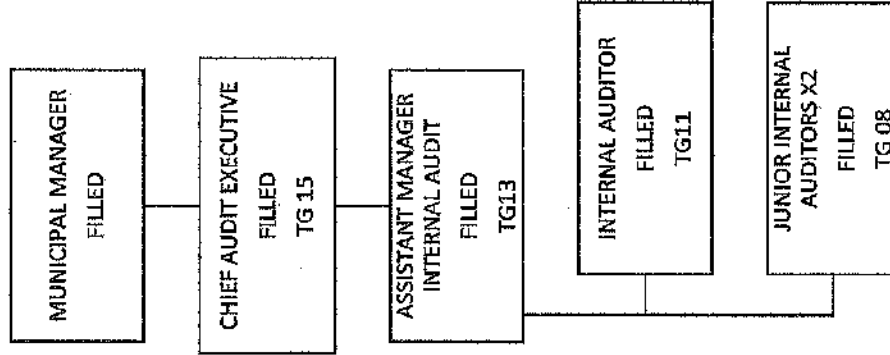
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MUNICIPAL MANAGER OFFICE:RISK UNIT



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MUNICIPAL MANAGER OFFICE:INTERNAL AUDIT UNIT

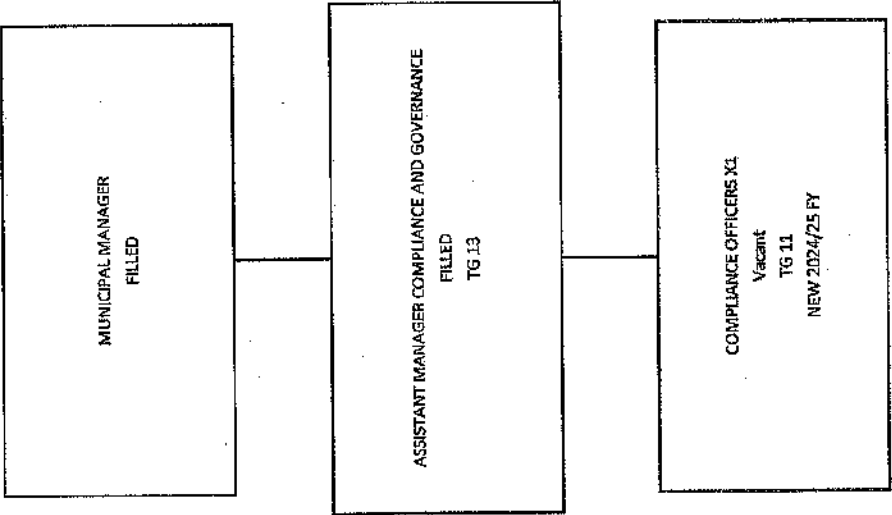


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FINANCE DEPARTMENT

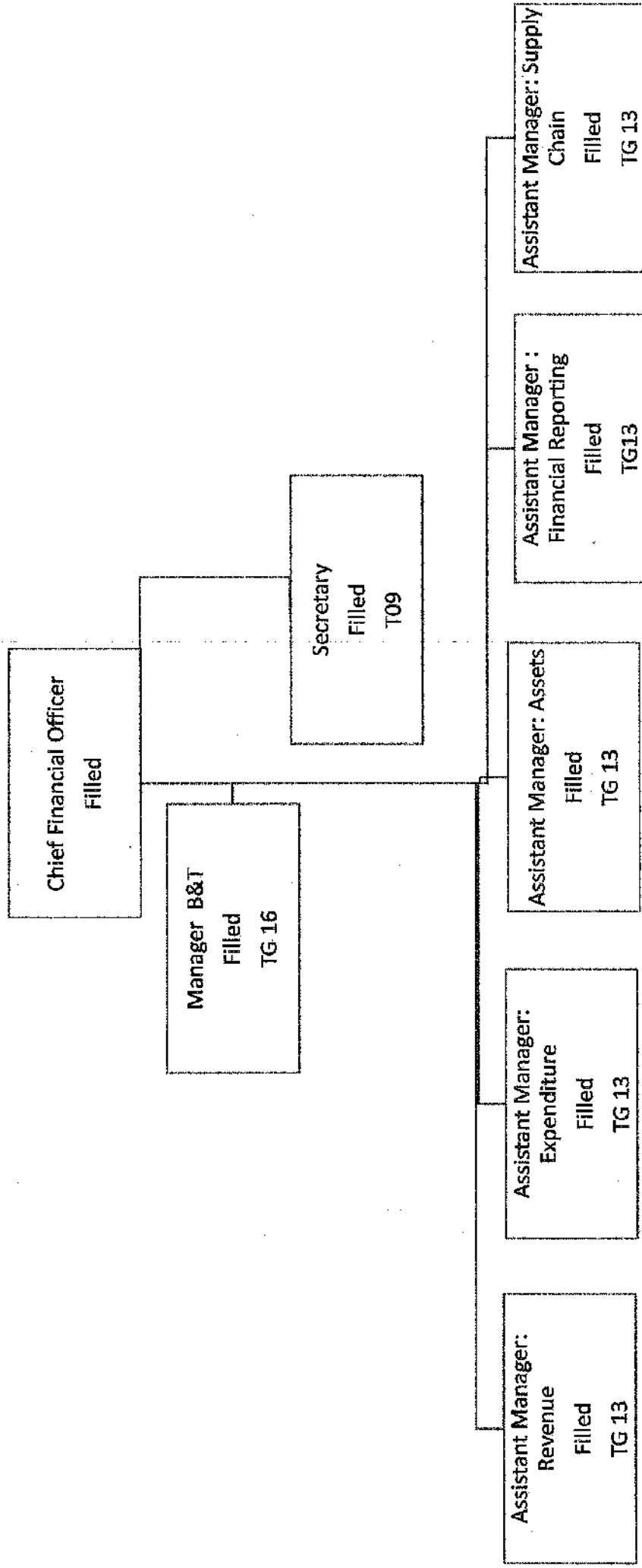
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MUNICIPAL MANAGER OFFICE: COMPLIANCE AND GOVERNANCE



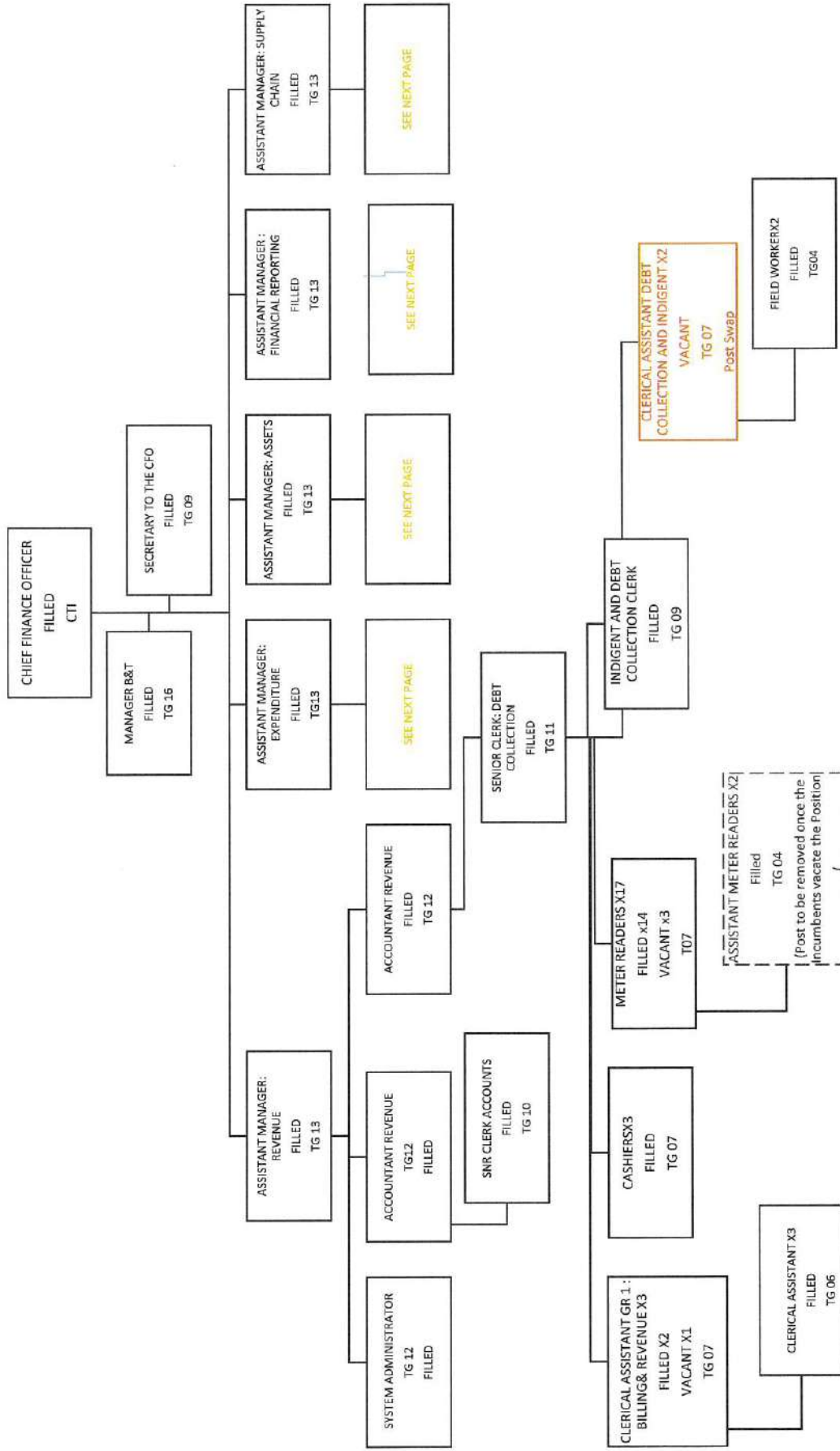
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DEPARTMENT OF FINANCE: EXECUTIVE STRUCTURE



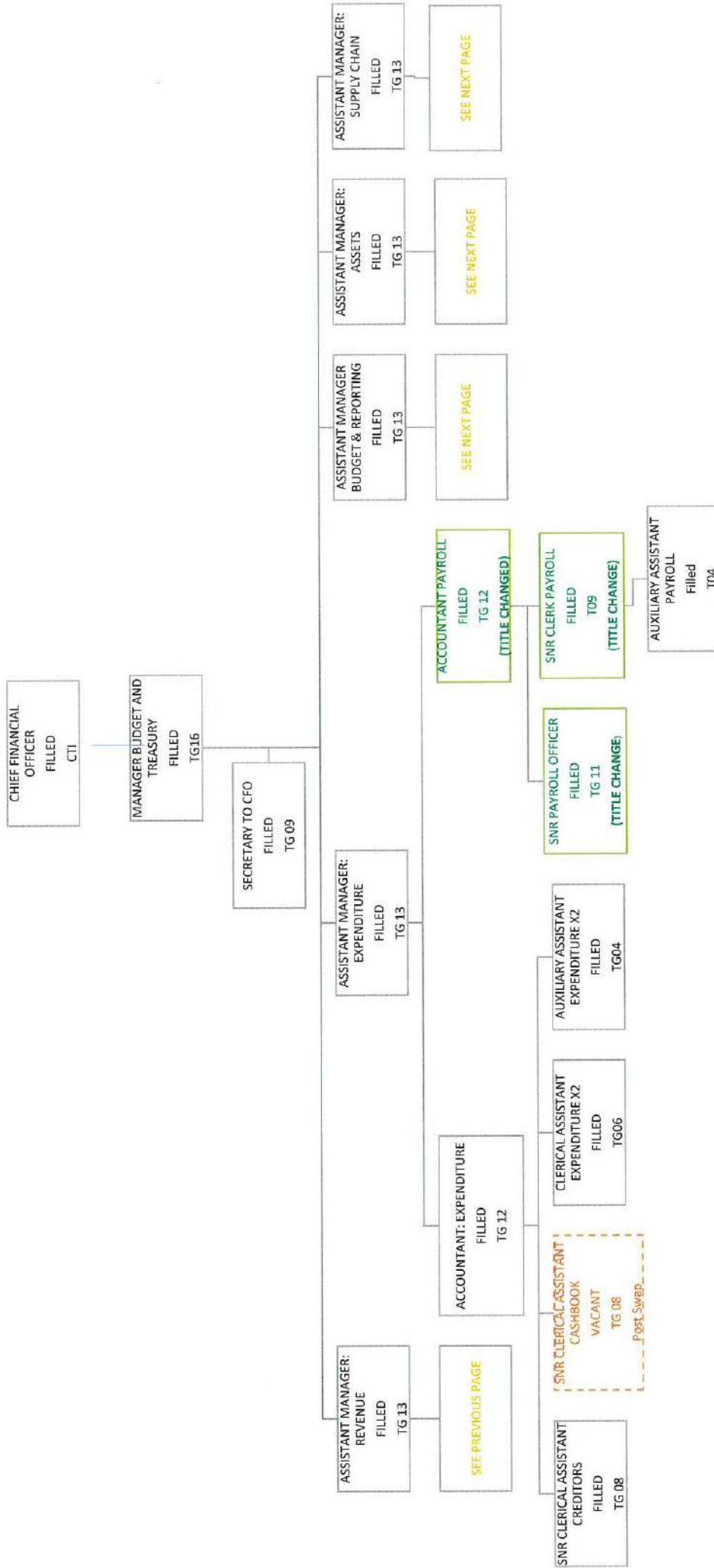
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DEPARTMENT OF FINANCE: REVENUE SECTION



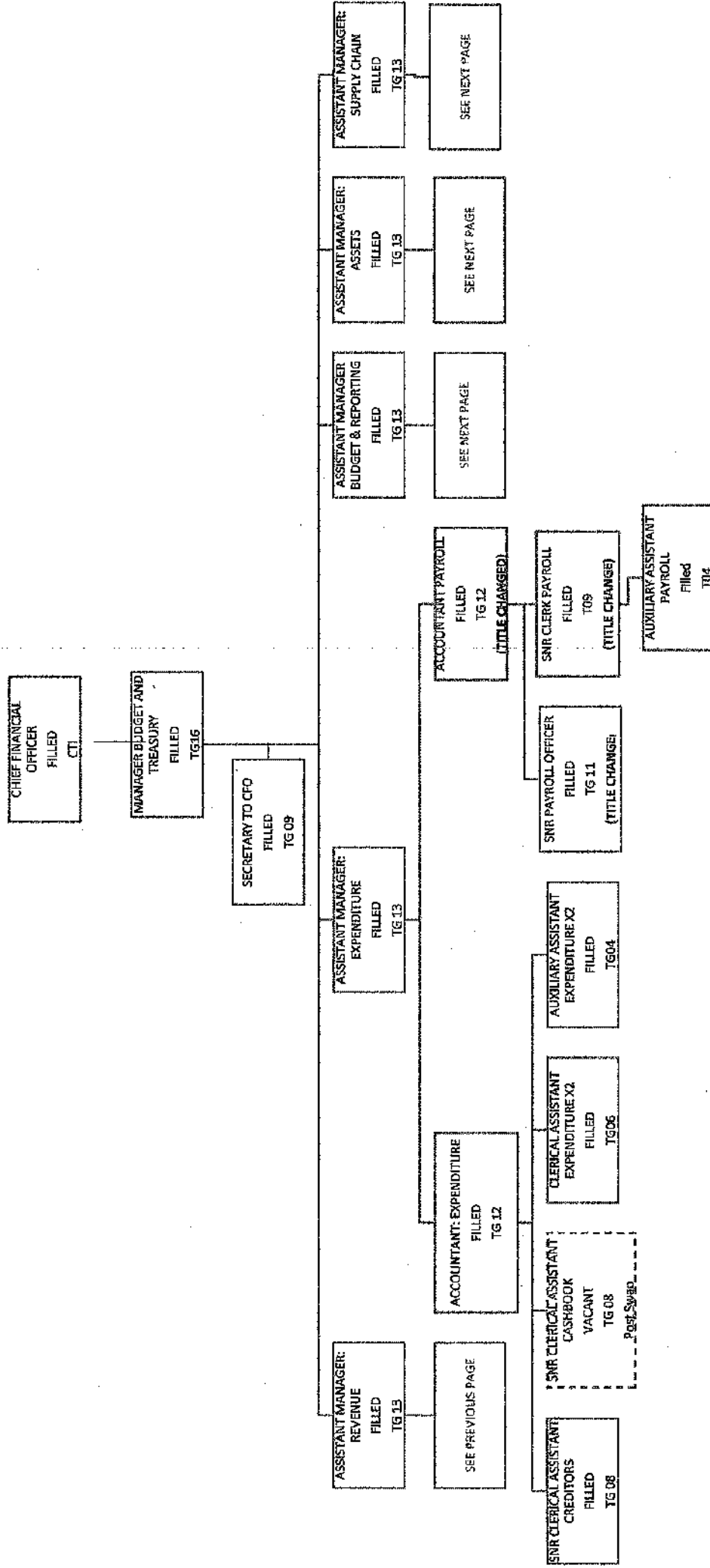
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DEPARTMENT OF FINANCE EXPENDITURE



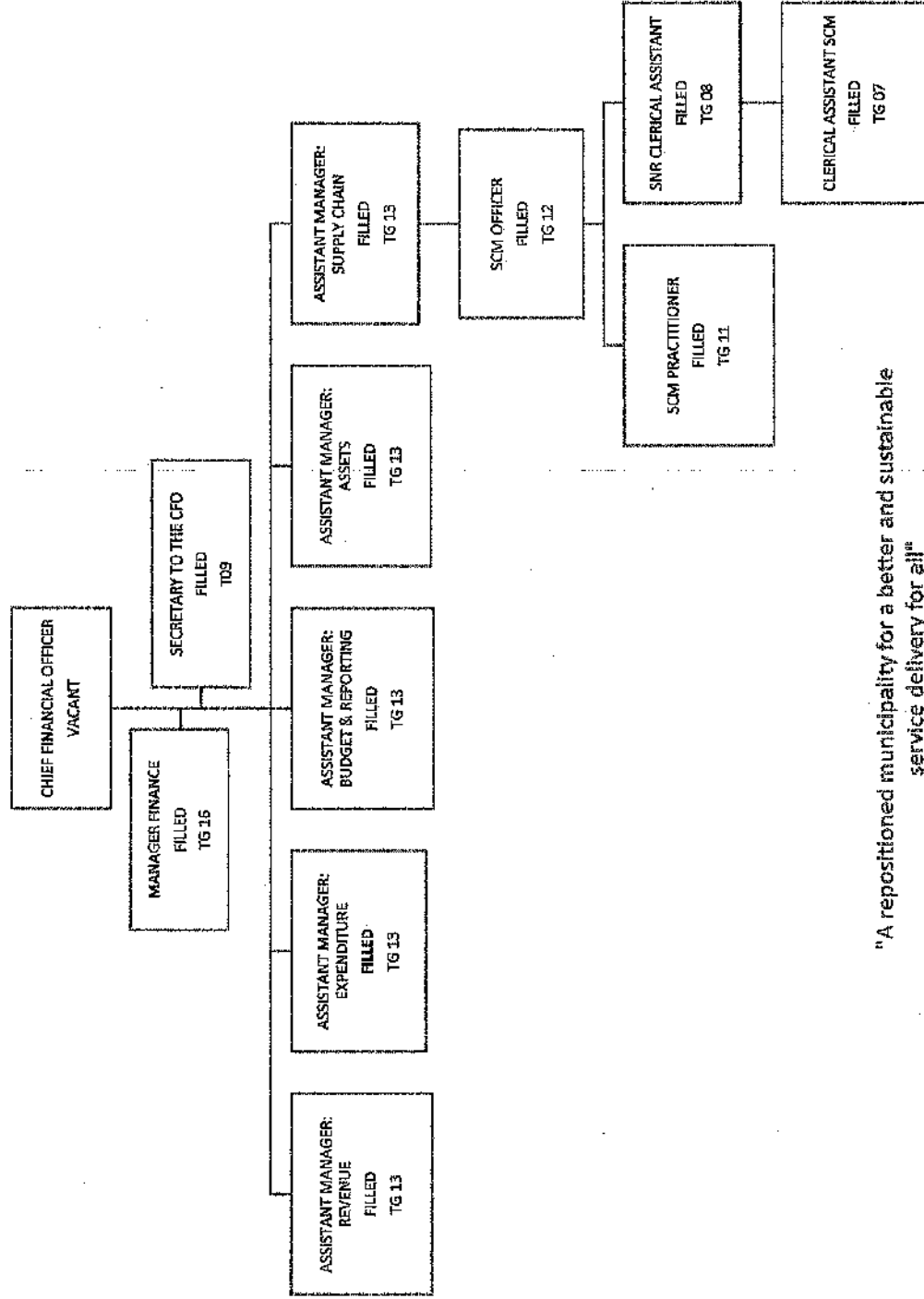
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DEPARTMENT OF FINANCE EXPENDITURE



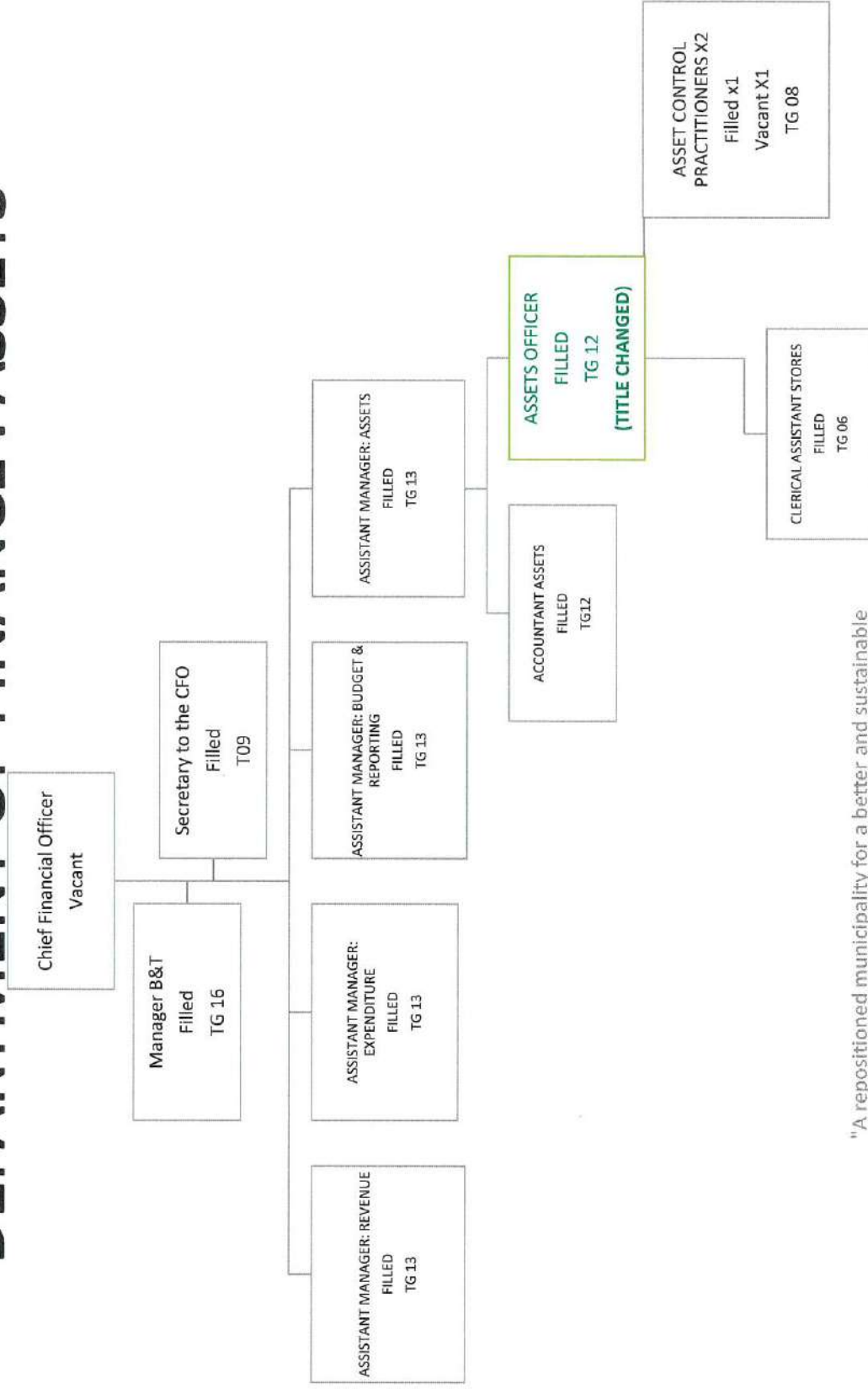
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FINANCE DEPARTMENT: SUPPLY CHAIN SECTION



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DEPARTMENT OF FINANCE : ASSETS

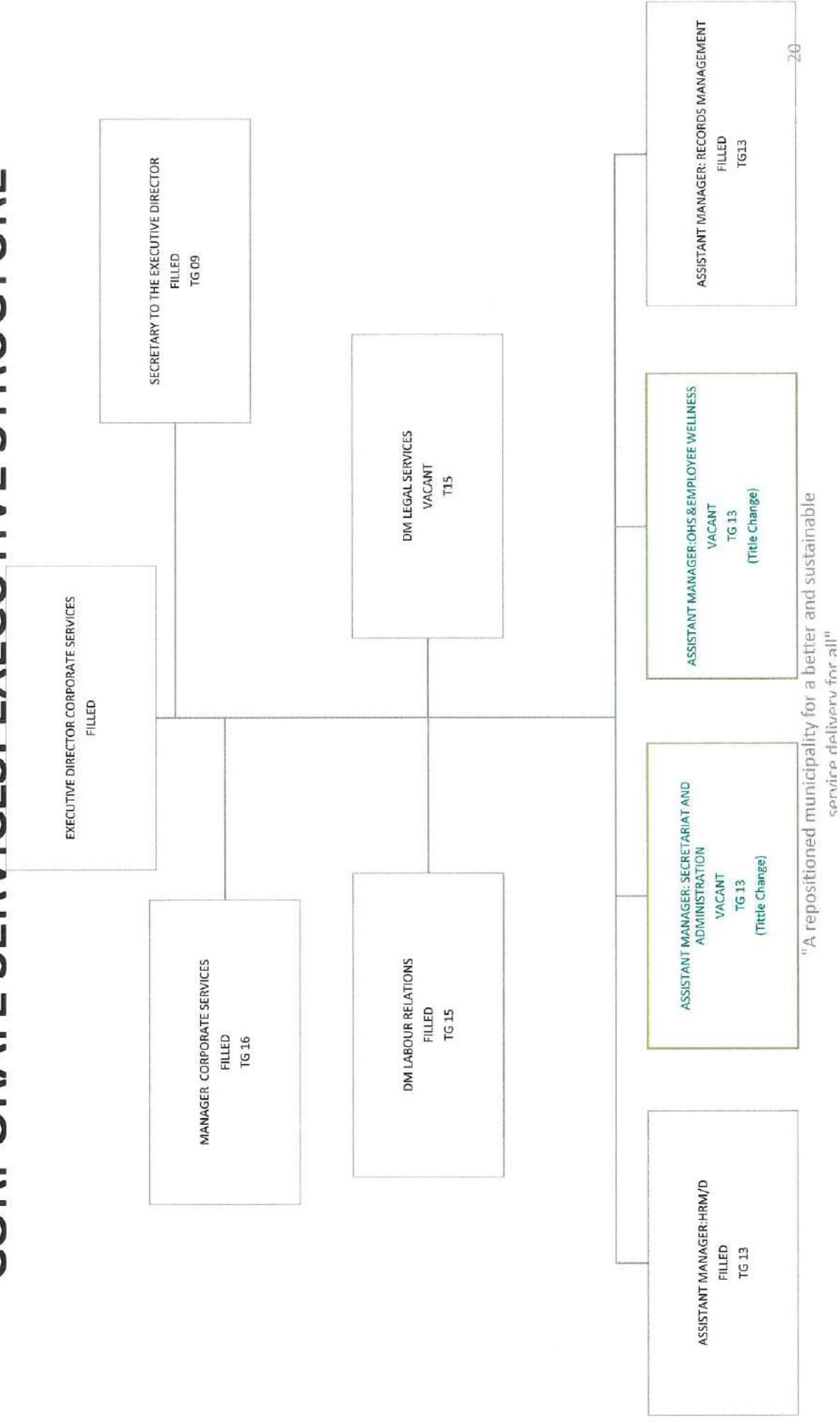


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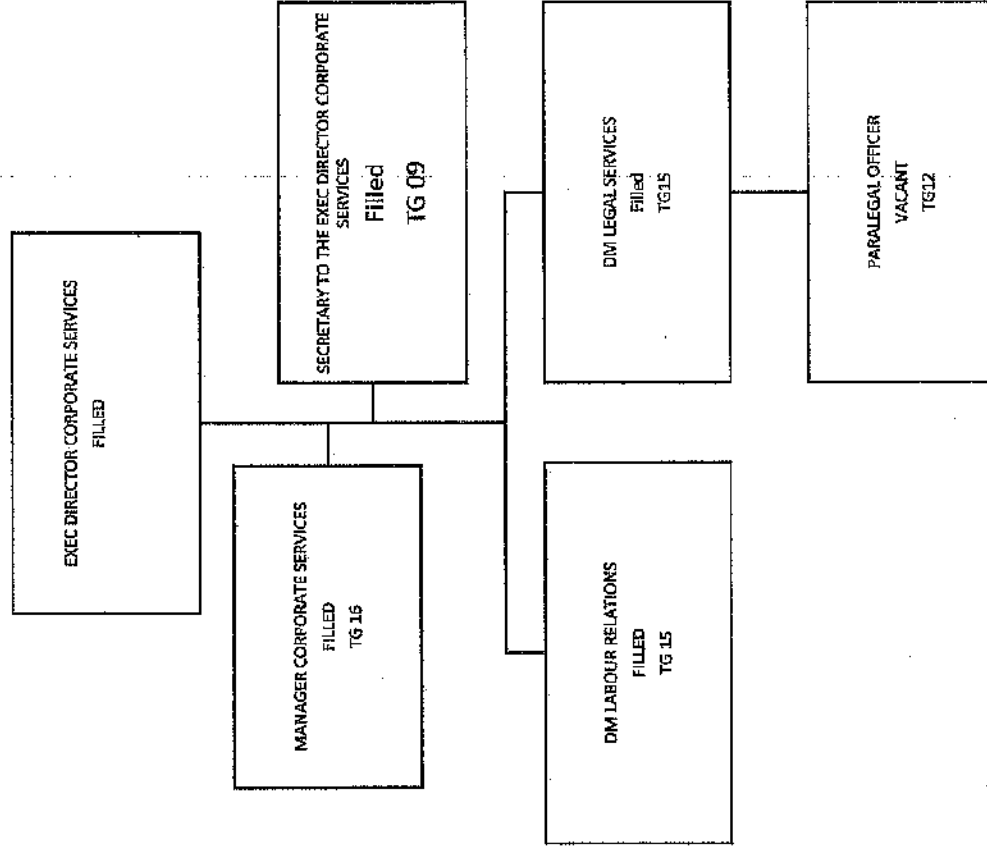
CORPORATE SERVICES DEPARTMENT

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CORPORATE SERVICES: EXECUTIVE STRUCTURE

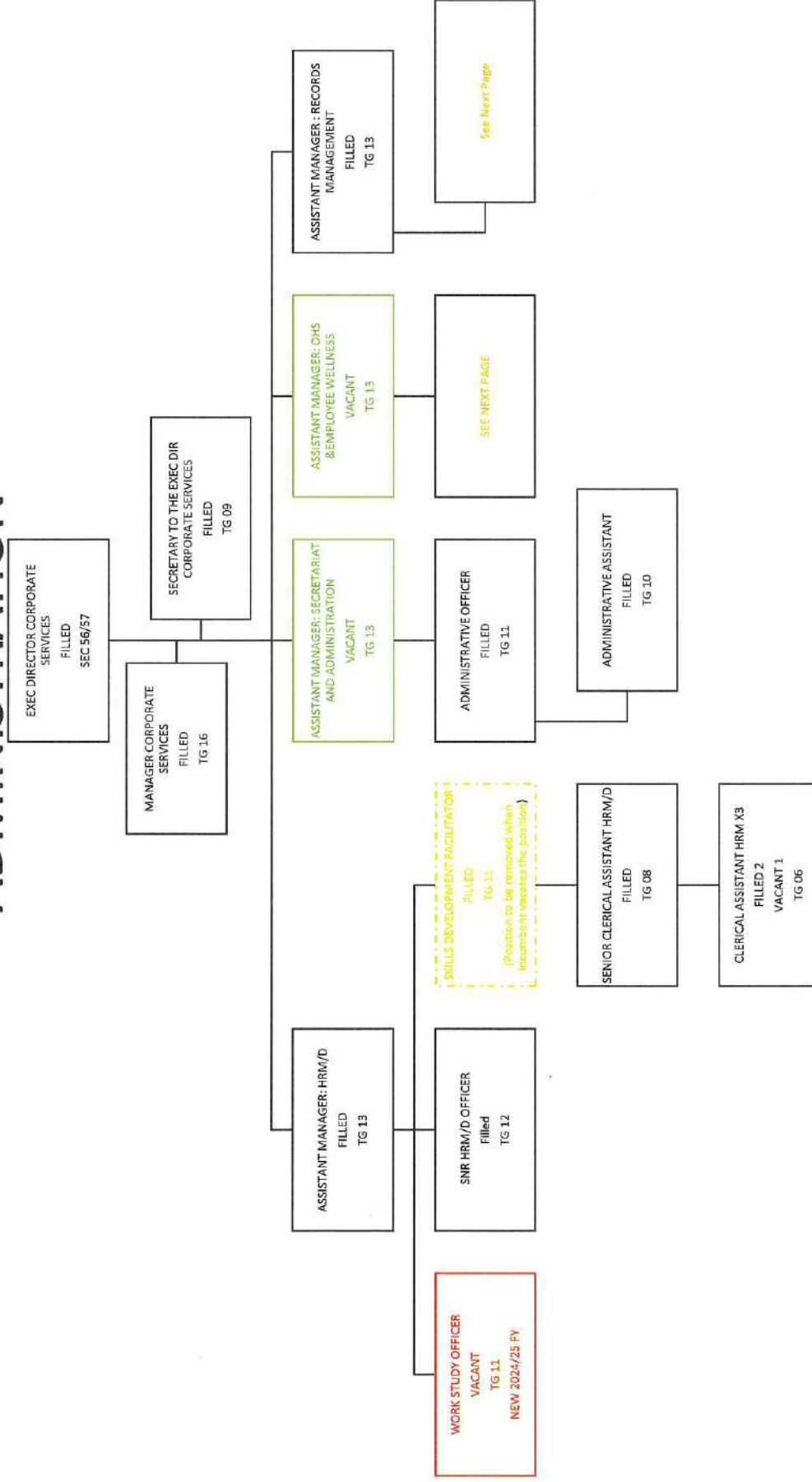


CORPORATE SERVICES: LEGAL SECTION



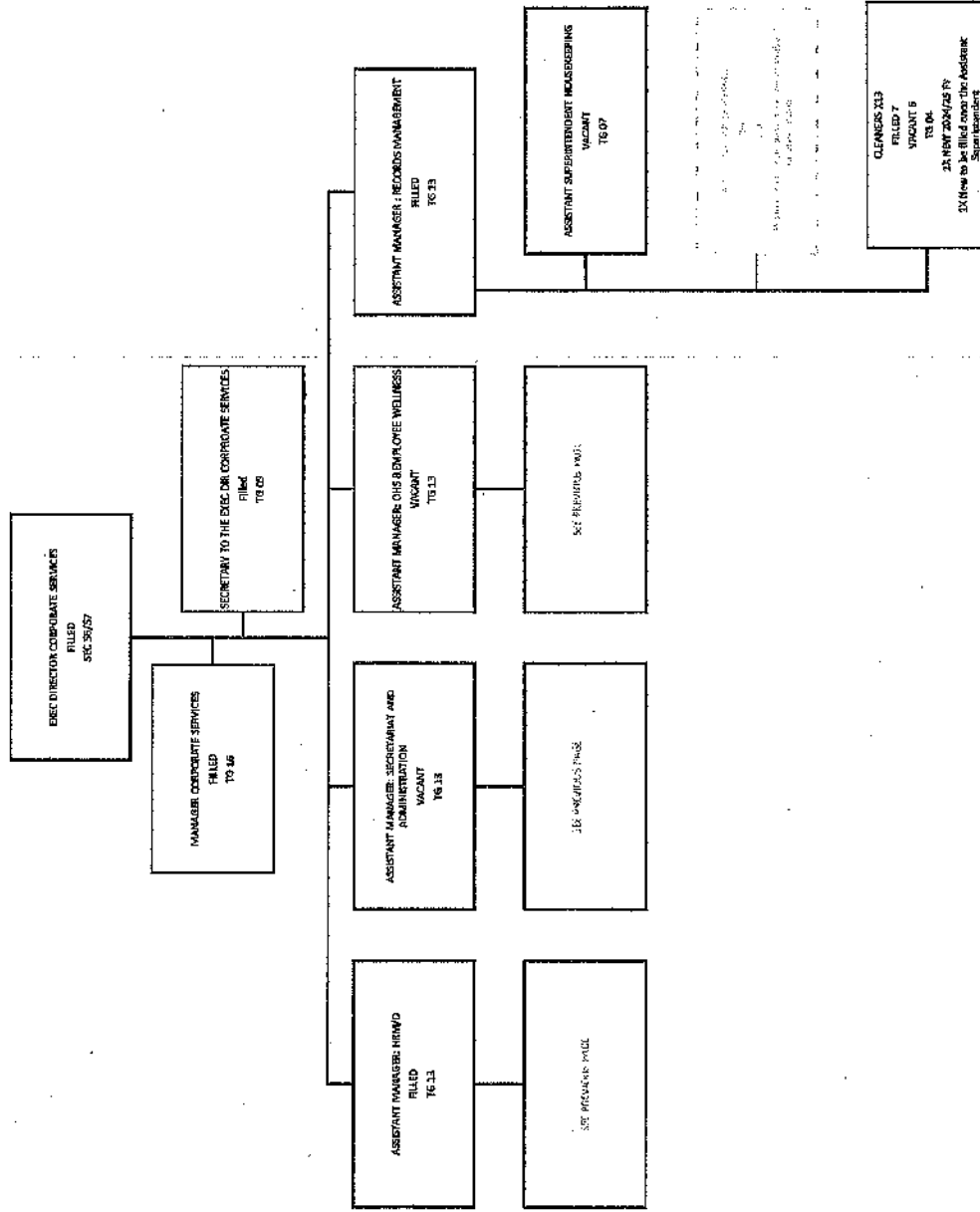
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CORPORATE SERVICES: HRM/D AND SECRETARIAT AND ADMINISTRATION



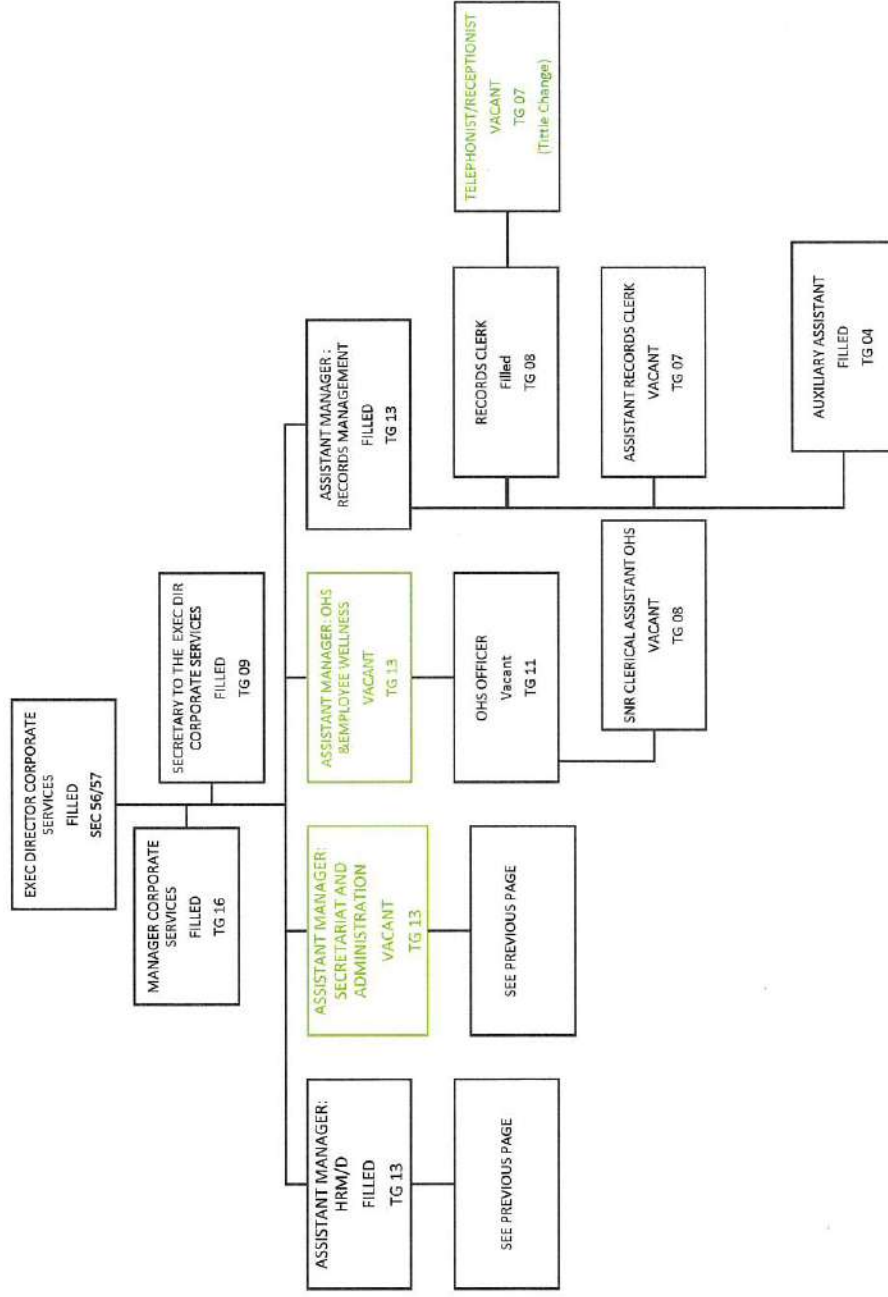
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CORPORATE SERVICES: HOUSEKEEPING AND FACILITIES



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CORPORATE SERVICES: OHS AN CORPORATE ARCHIVES ADMIN

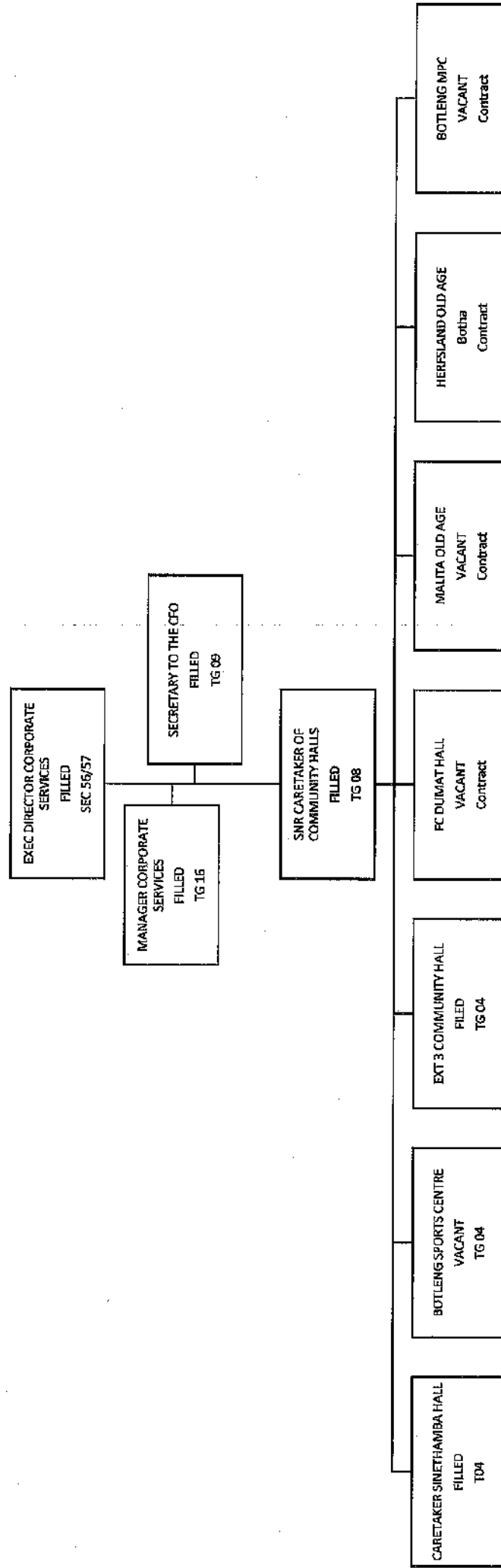


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SOCIAL SERVICES DEPARTMENT

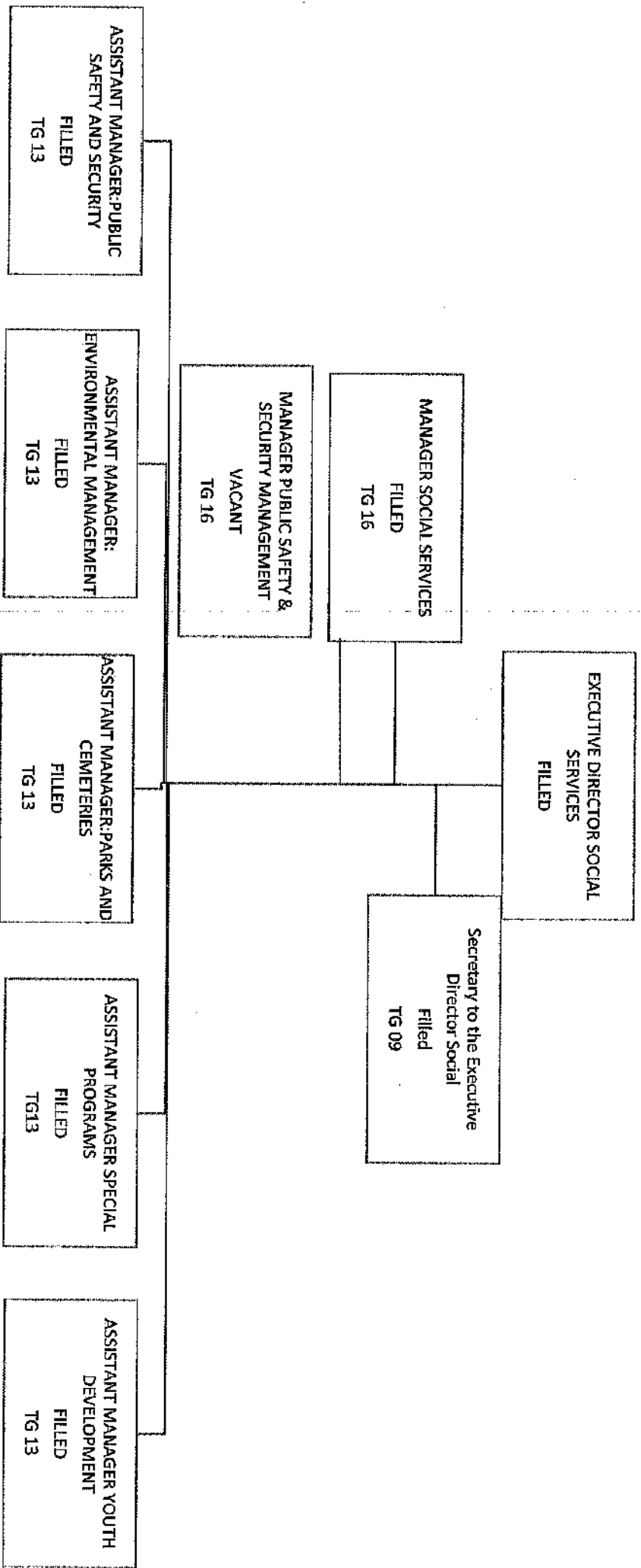
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CORPORATE SERVICES: MUNICIPAL FACILITIES



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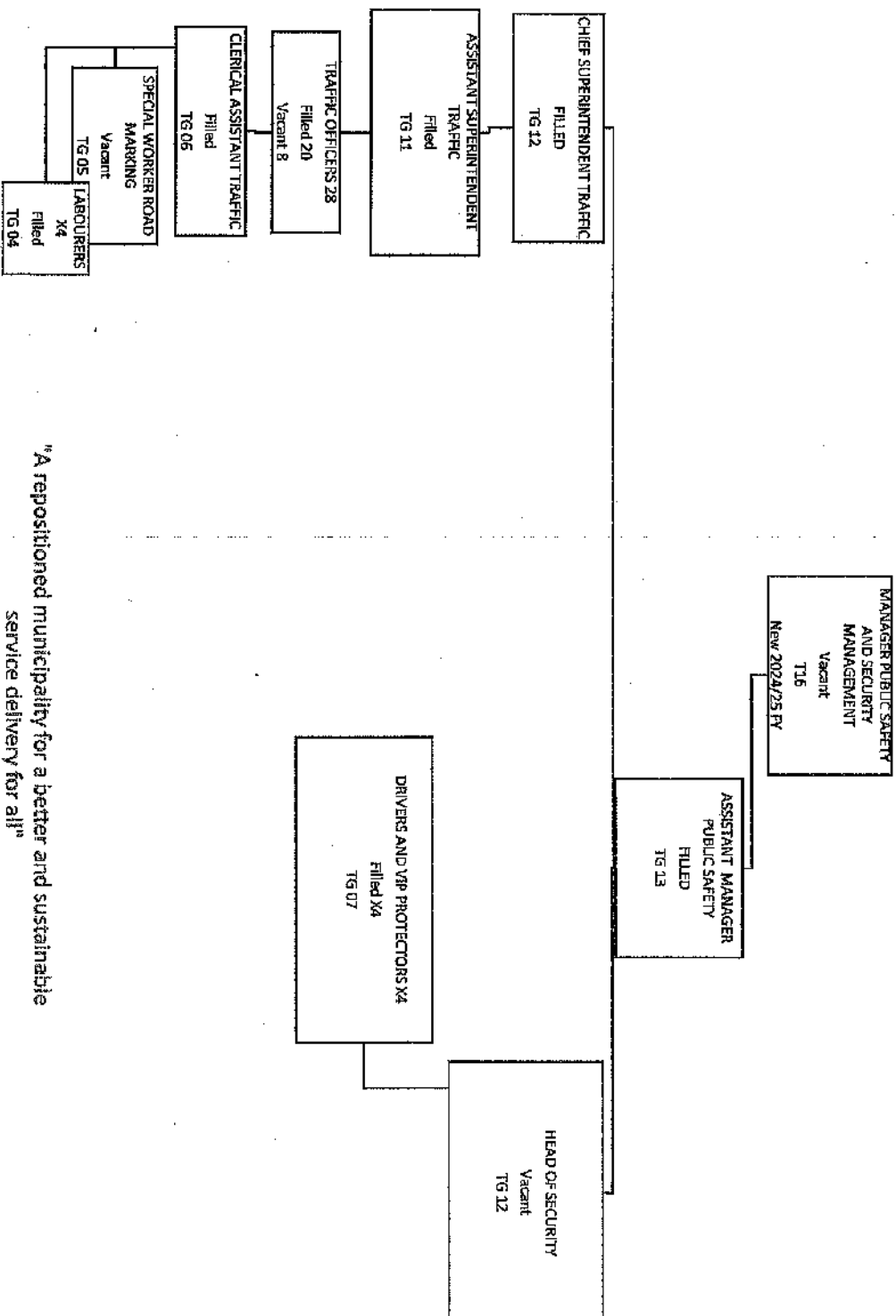
SOCIAL SERVICES: EXECUTIVE STRUCTURE



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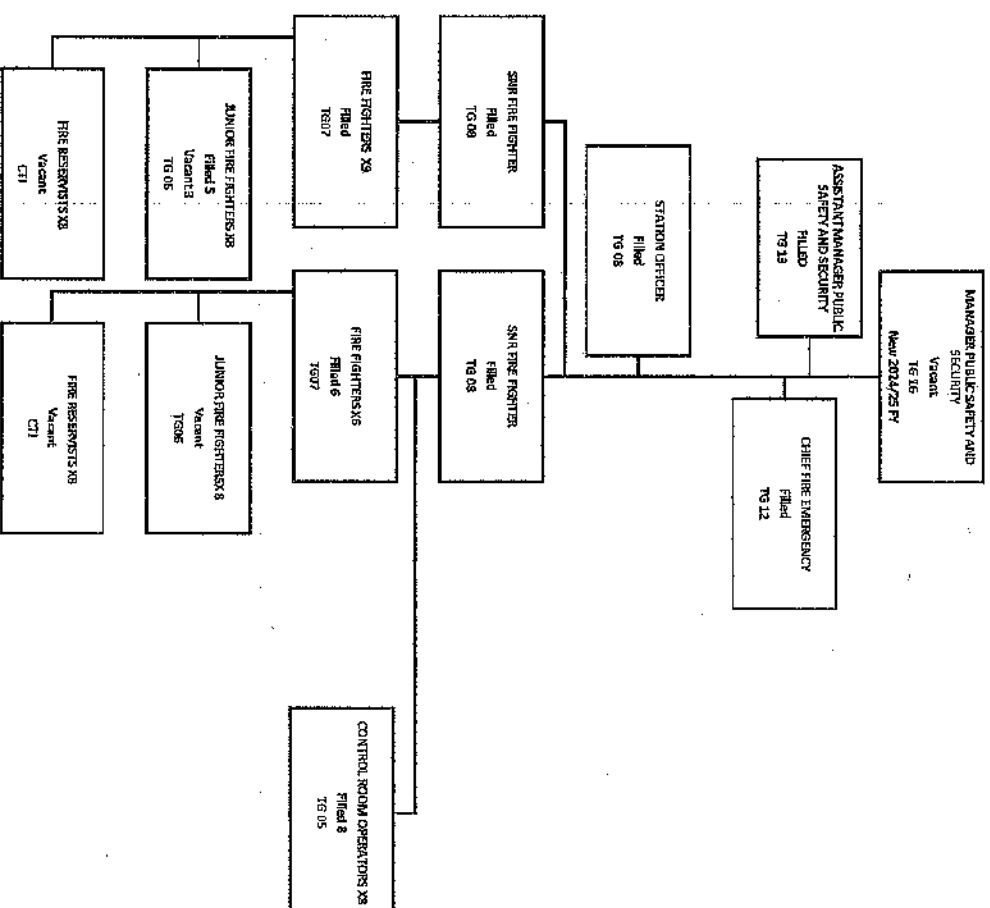
SOCIAL SERVICES:

PUBLIC SAFETY AND SECURITY MANAGEMENT



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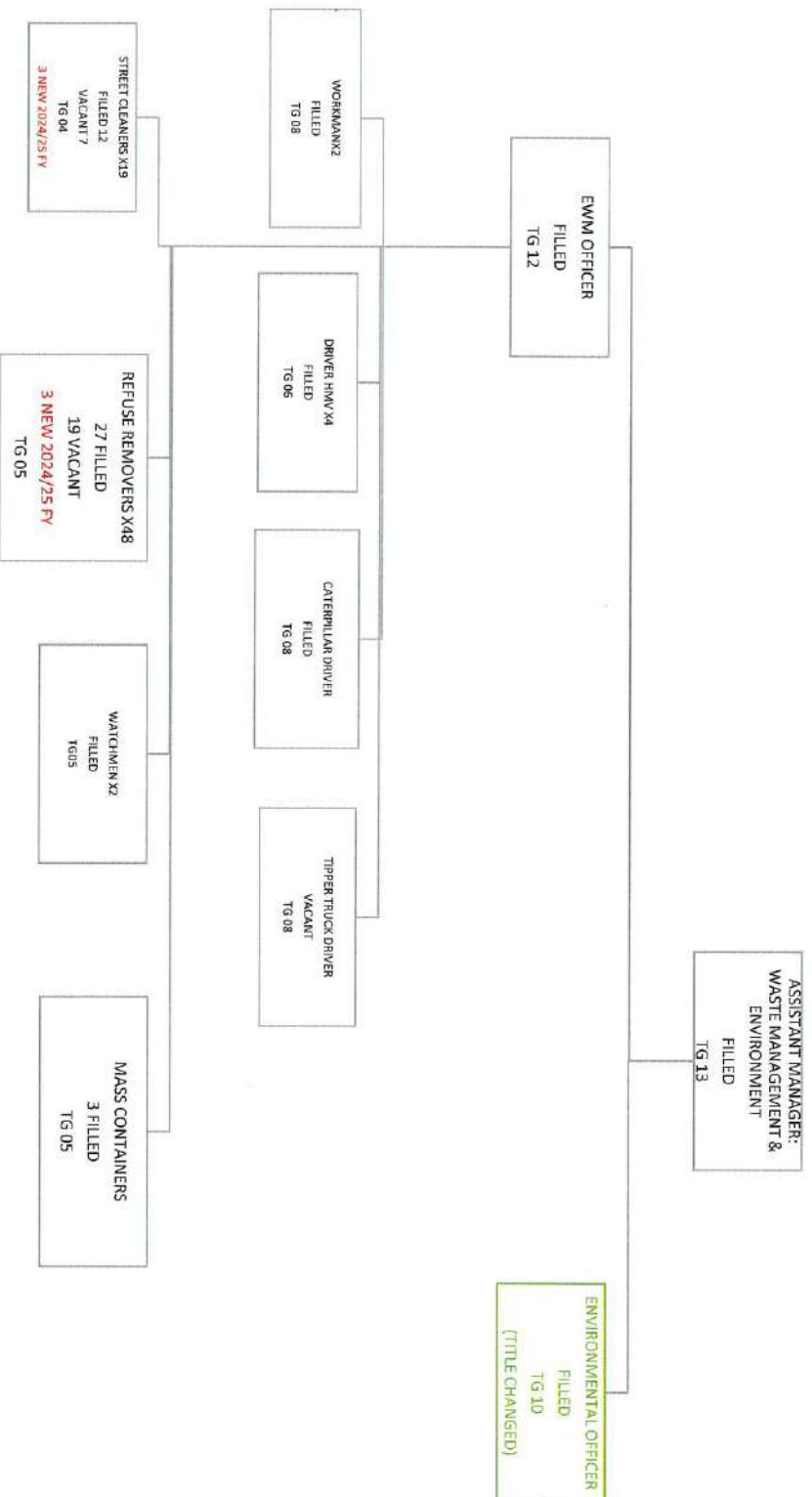
EMERGENCY AND DISASTER MANAGEMENT



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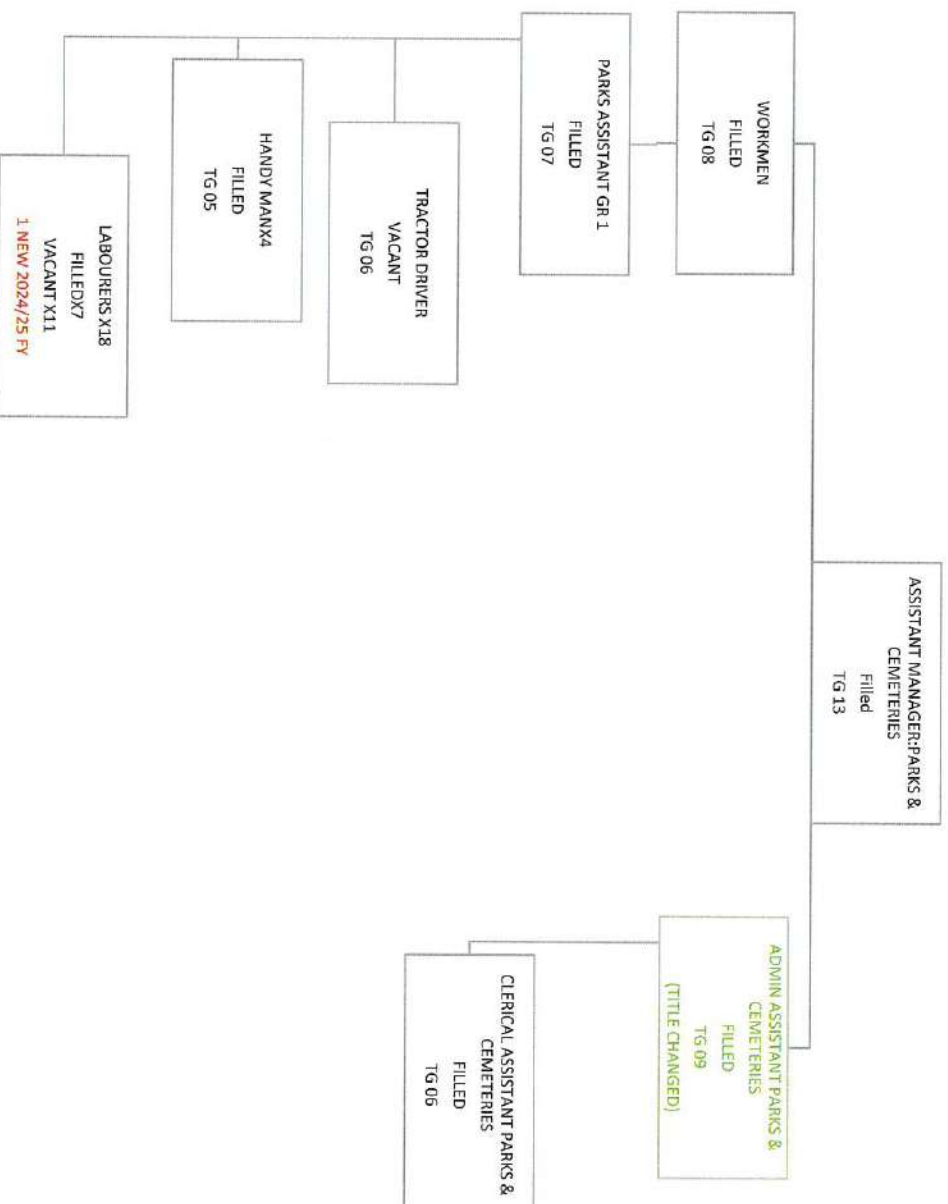
SOCIAL SERVICES:

Waste Management Services



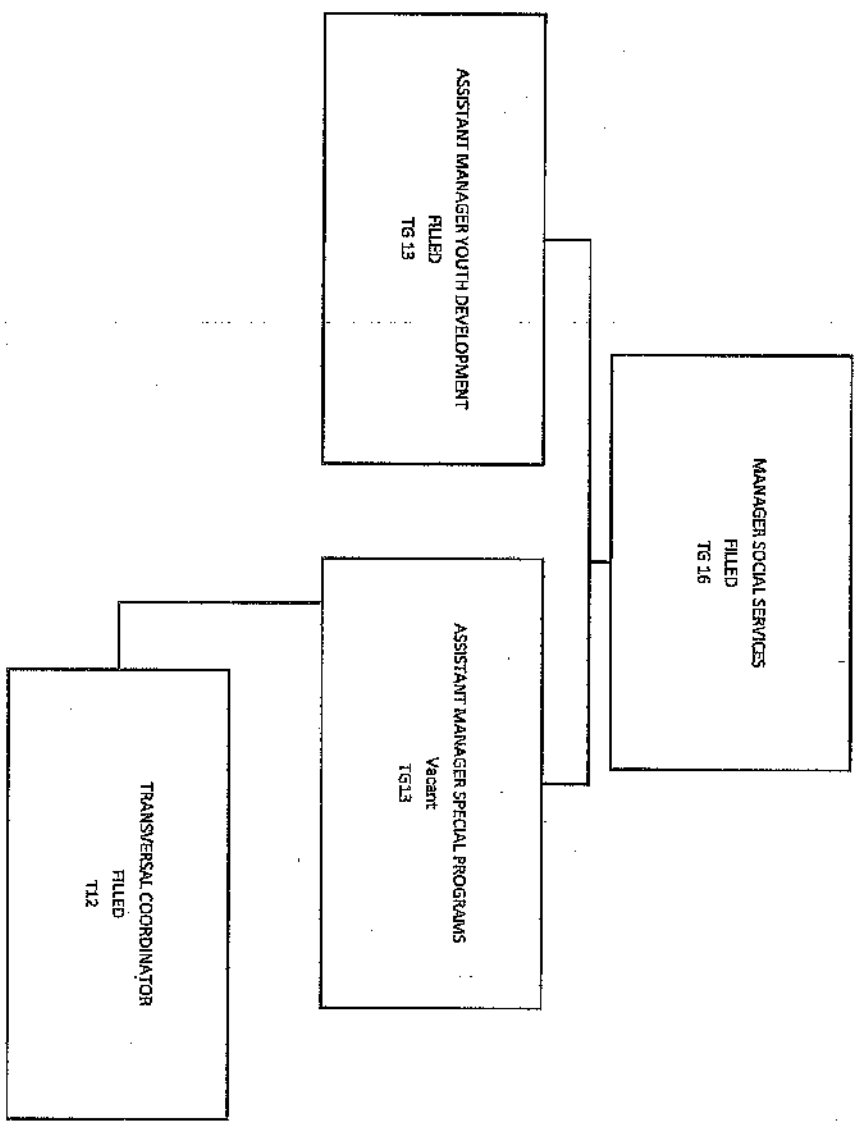
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Social Services Parks and Cemeteries Services



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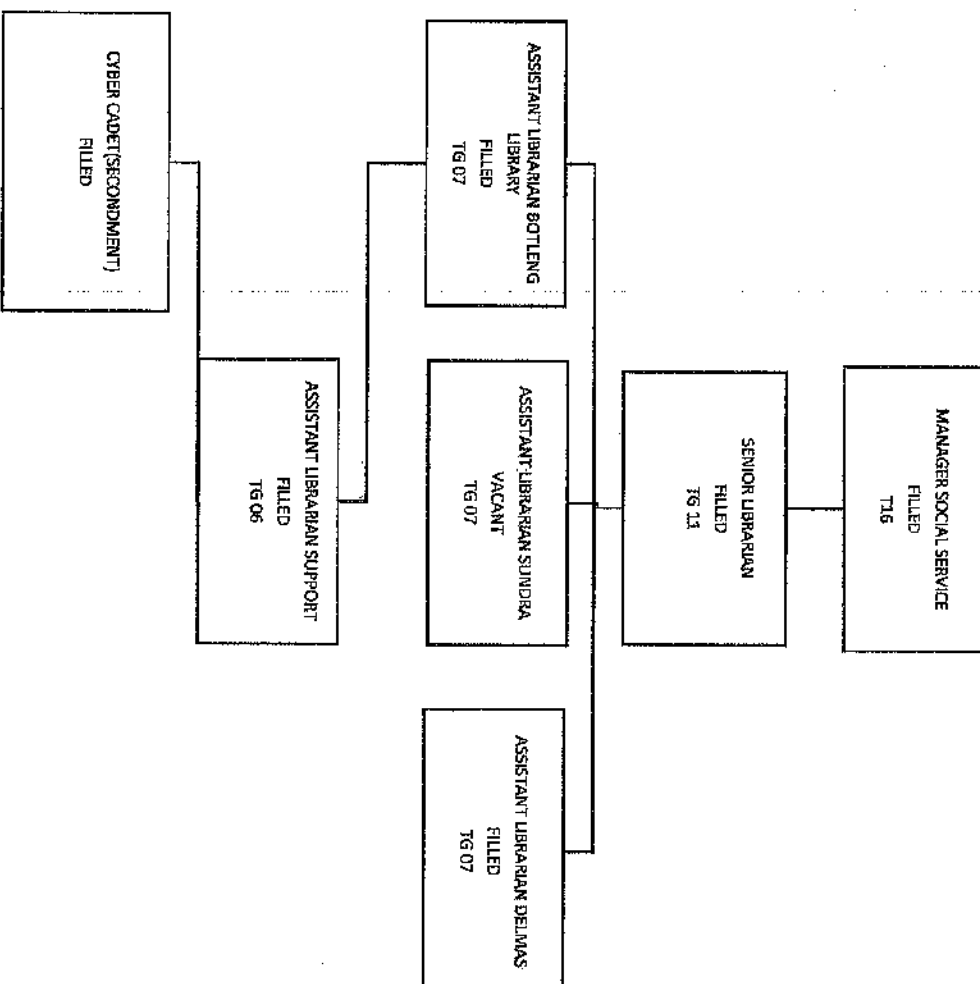
SOCIAL SERVICES: SPECIAL PROGRAMMES



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SOCIAL SERVICES:

LIBRARY SERVICES

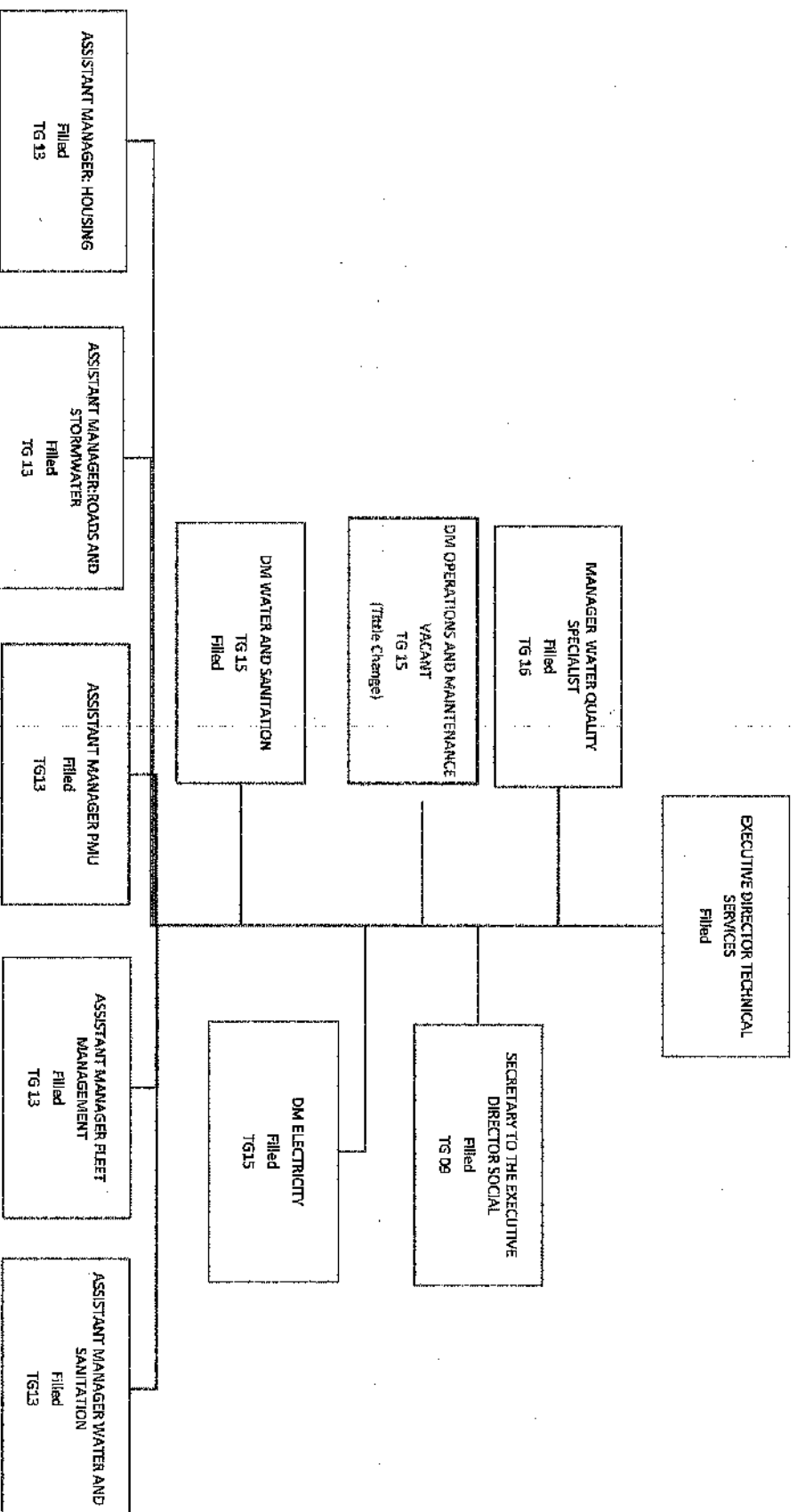


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TECHNICAL SERVICES DEPARTMENT

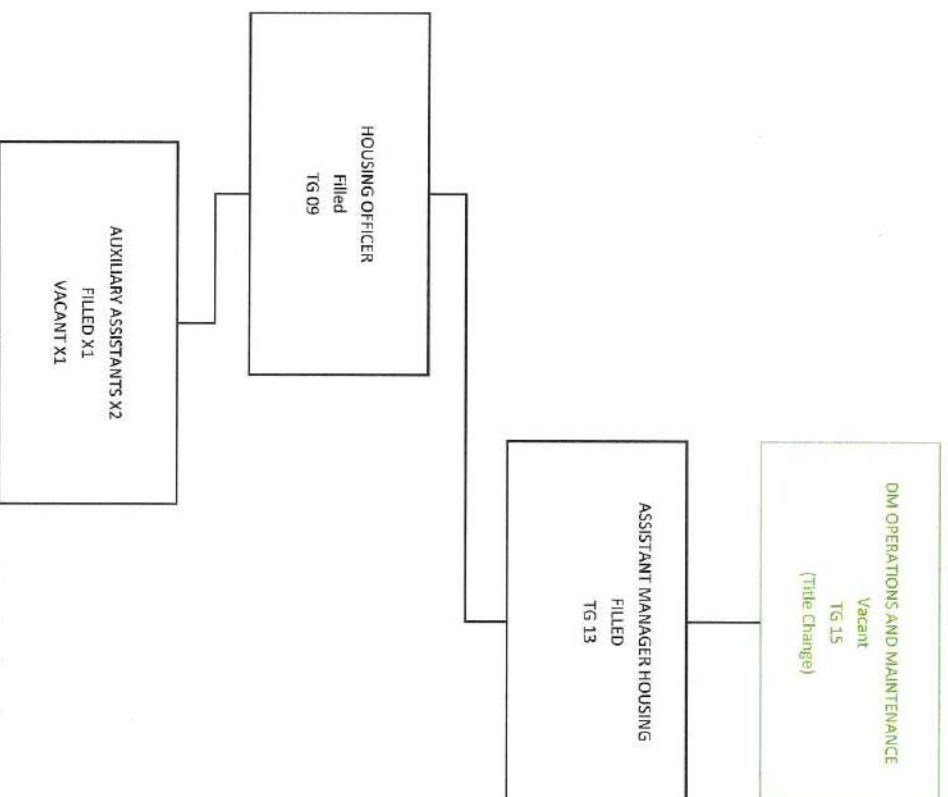
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TECHNICAL SERVICES: EXECUTIVE STRUCTURE



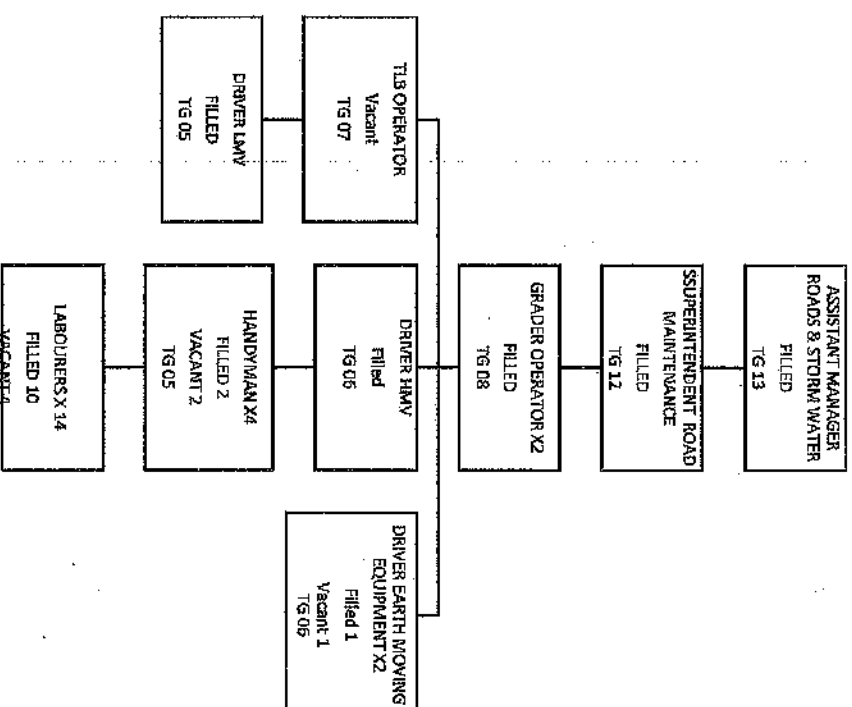
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TECHNICAL SERVICES:HOUSING SECTION



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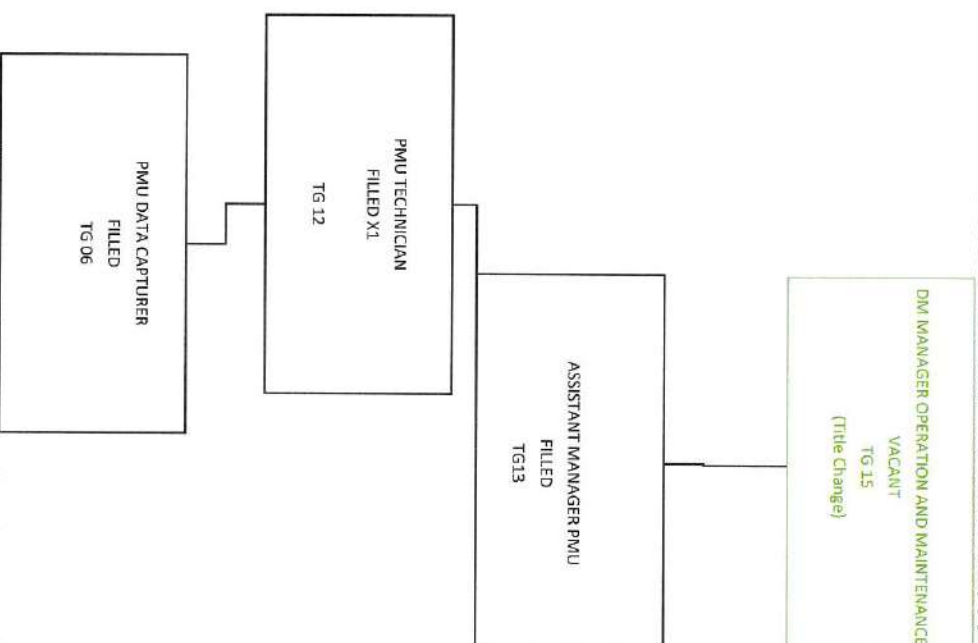
TECHNICAL SERVICES: ROADS & STORMWATER



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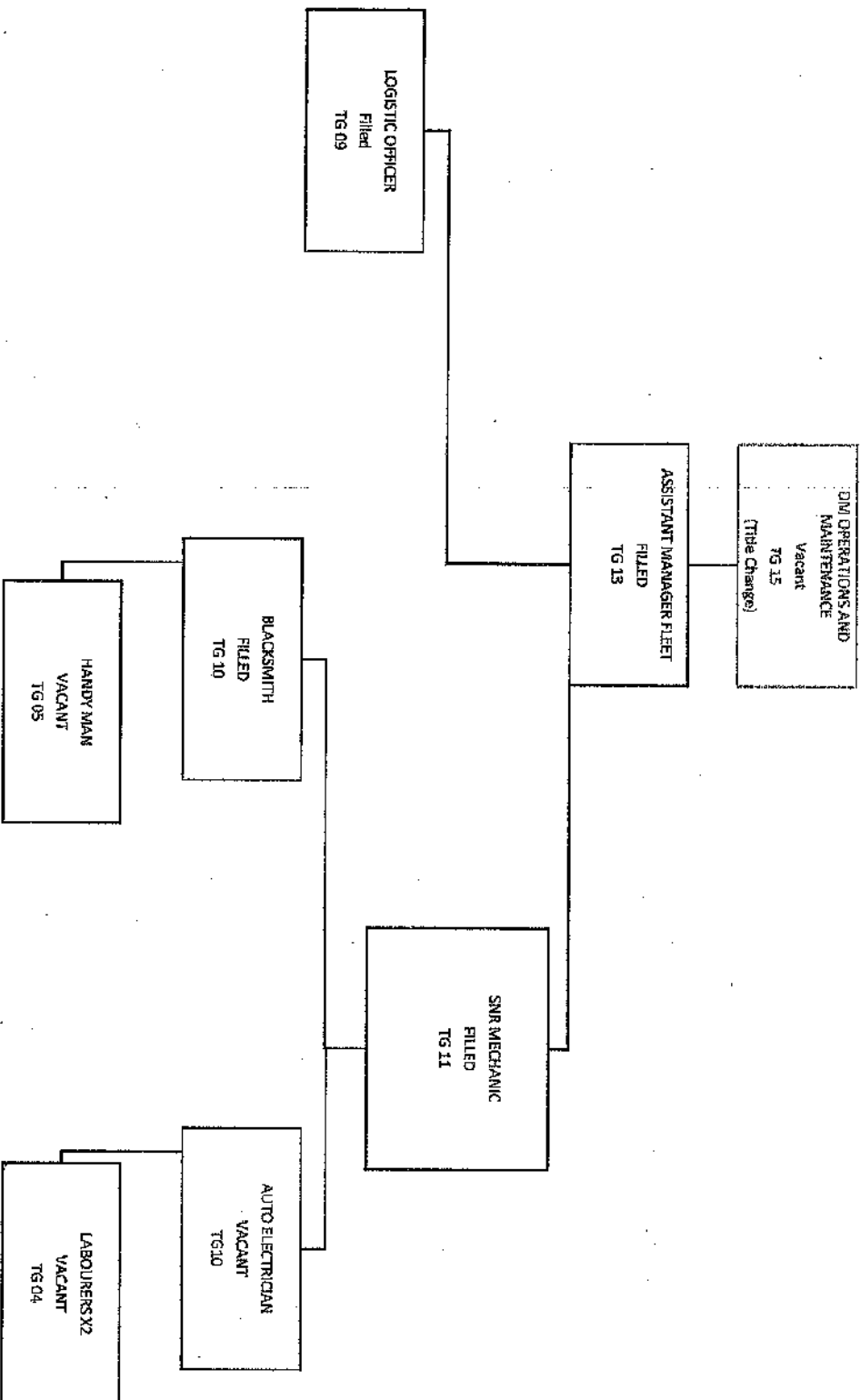
TECHNICAL SERVICES:

PROJECT MANAGEMENT UNIT



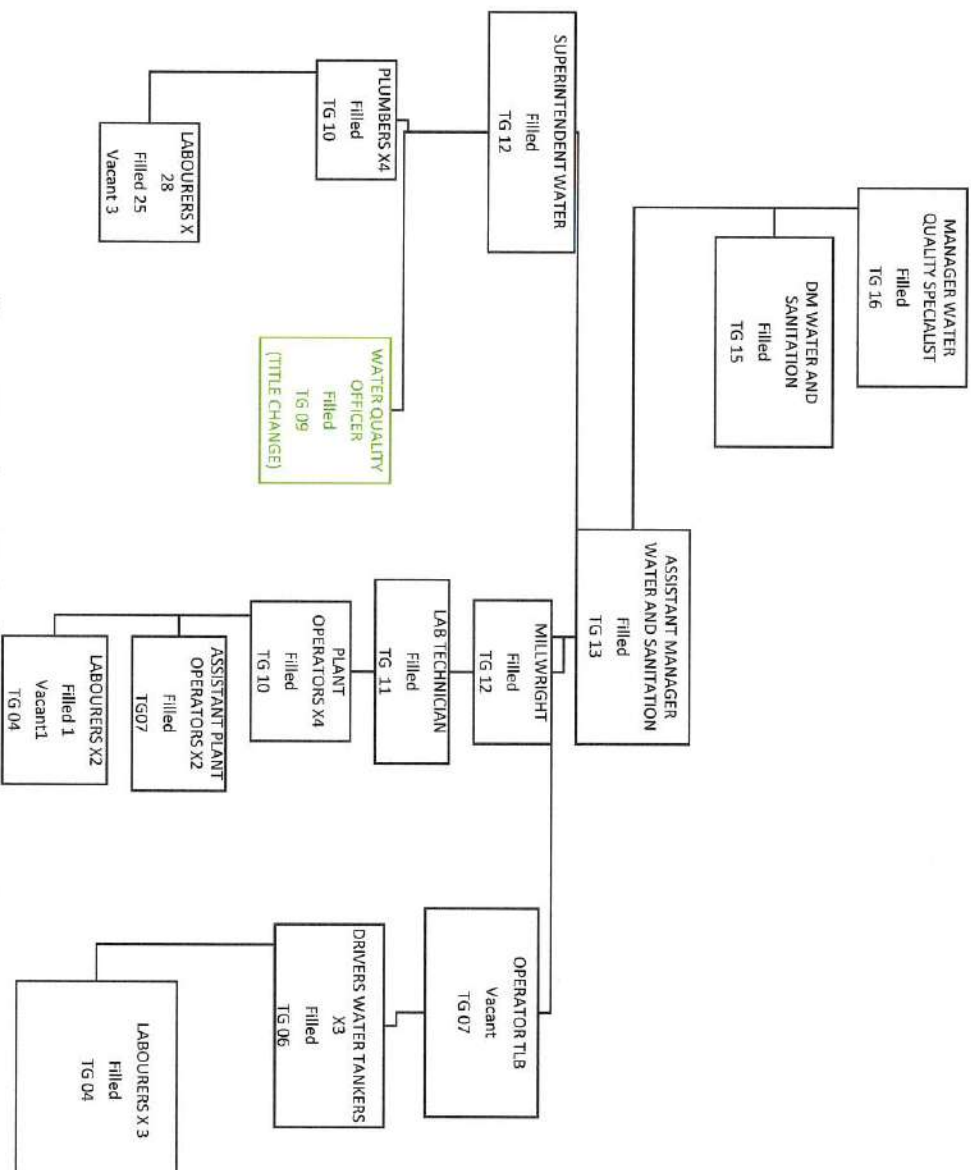
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FLEET MANAGEMENT



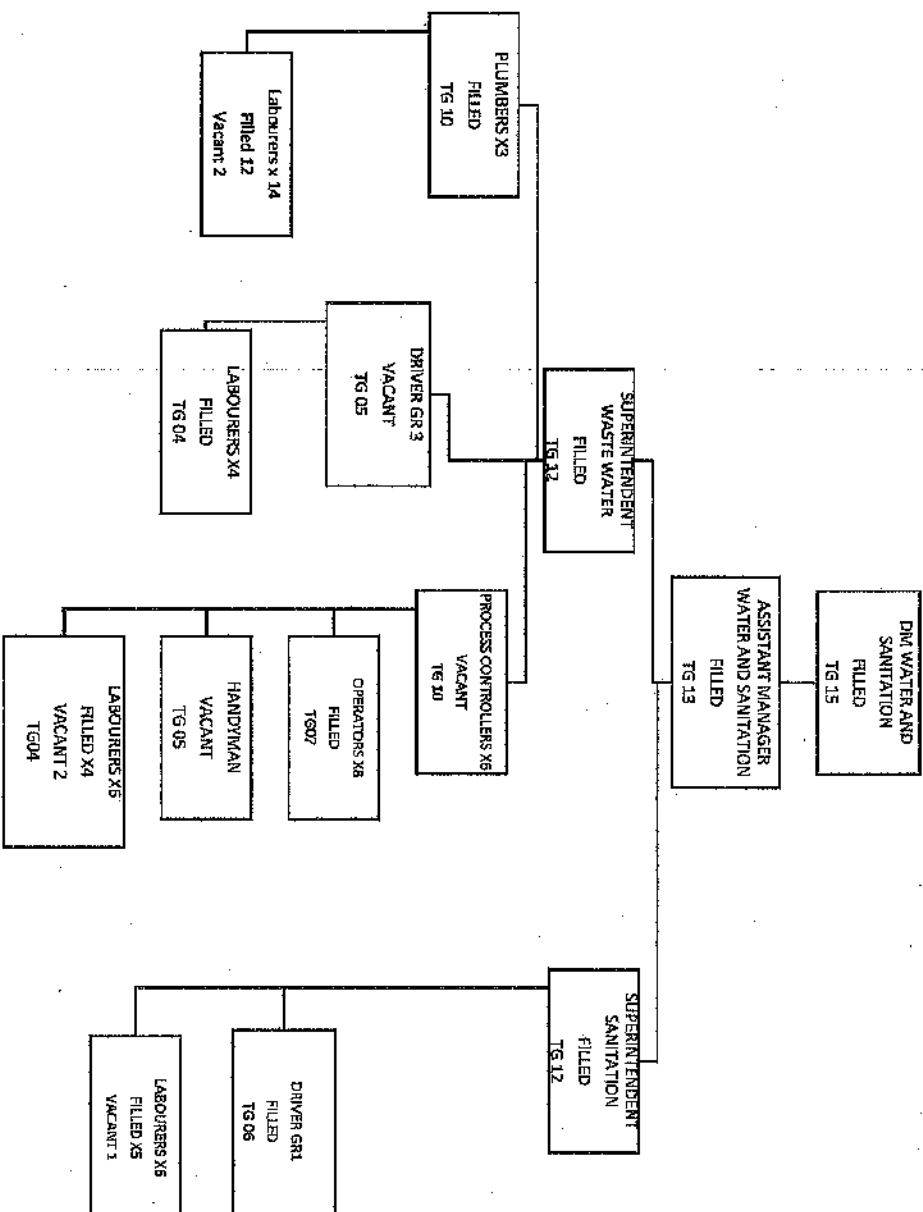
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WATER SERVICES



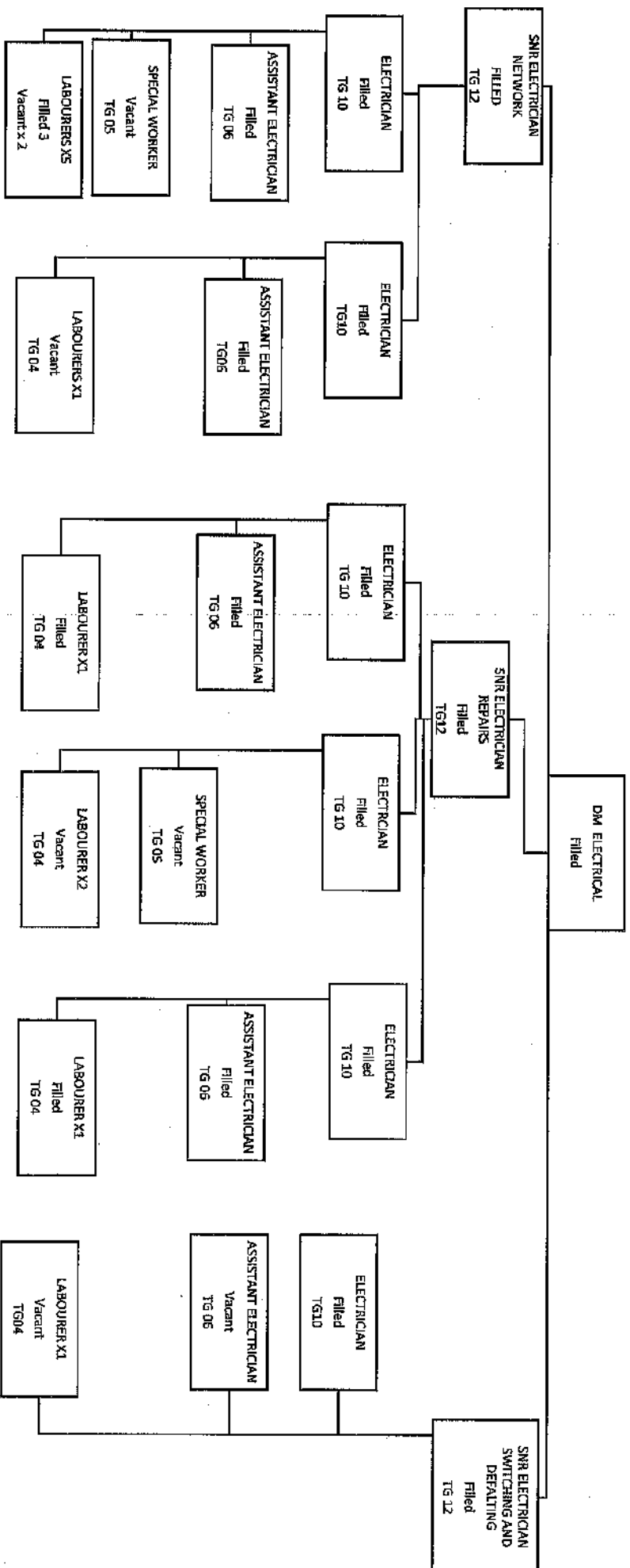
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SANITATION SERVICES



"A repositioned municipality for a better and sustainable service delivery for all"

TECHNICAL SERVICES: ELECTRICAL AND ENERGY



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VICTOR KHANYE LOCAL MUNICIPALITY



GRANTS ALLOCATION PER DORA

2025/2026

1. MUNICIPAL INFRASTRUCTURE GRANT

2025/2026	2026/2027	2027/2028
R 29 618 000	R 31 895 000	R 33 215 000

The grant will be used to develop new area for sanitation and road construction in the existing areas. The waste water treatment is also part of the project for the financial year 2025/2026.

2. INTERGRANTED NATIONAL ELECTRIFICATION PROGRAM

2025/2026	2026/2027	2027/2028
N/A	R 9 671 000	R 10 108 000

The grant will be used for the electrification of RDP houses.

3. EQUITABLE SHARE

2025/2026	2026/2027	2027/2028
R 157131 000	R 163 869 000	R 171 264 000

The grant is used to address service delivery issues, which include the provision of the Indigent in the municipality for Free Basic Services.

4. EXPANDED PUBLIC WORKS PROGRAMME

2025/2026	2026/2027	2027/2028
R 1 976 000	N/A	N/A

The grant will be used to address un-employment within the municipality which currently is providing for EPWP.

5. FINANCIAL MANAGEMENT GRANT

2025/2026	2026/2027	2027/2028
R 1 900 000	R 2 000 000	R 2 100 000

The grant will be use for the Financial Internship in the municipal (5), training of staff in the Budget and Treasury office and Financial Management system mSCOA.

VICTOR KHANYE LOCAL MUNICIPALITY



DETAILED OPERATIONAL DRAFT BUDGET

2025/2026

DRAFT BUDGET

ANNEXURE A

MP311 Victor Khanye - Table A1 Budget Summary

Description	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousands										
Financial Performance										
Property rates	86 936	78 579	109 807	123 486	123 486	123 486	123 486	128 920	134 721	140 783
Service charges	228 668	221 364	265 429	328 564	328 654	328 654	328 654	355 029	371 006	387 701
Investment revenue	986	1 638	1 037	-	-	-	-	-	-	-
Transfer and subsidies - Operational	116 808	123 357	143 890	152 985	152 985	152 985	152 985	142 155	157 975	165 082
Other own revenue	100 815	43 773	142 671	168 146	272 688	272 688	272 688	303 539	317 159	331 433
Total Revenue (excluding capital transfers and contributions)	633 203	468 730	662 834	773 201	877 816	877 816	877 816	929 643	990 860	1 025 000
Employee costs	170 670	177 777	186 893	201 439	201 641	201 641	201 641	210 722	220 204	230 114
Remuneration of councillors	2 889	3 336	9 384	10 101	11 634	11 634	11 634	12 146	12 693	13 284
Depreciation and amortisation	(13 646)	14 764	29 000	52 446	51 033	51 033	51 033	53 279	55 676	58 182
Interest	33 752	-	85 022	30 000	50 005	50 005	50 005	50 000	52 250	54 901
Inventory consumed and bulk purchases	229 064	375 225	332 402	286 978	364 546	364 546	364 546	349 624	365 357	381 798
Transfers and subsidies	-	141	-	-	-	-	-	-	-	-
Other expenditure	116 776	104 299	187 250	268 611	320 281	320 281	320 281	221 820	231 802	242 233
Total Expenditure	638 404	676 542	829 829	878 674	999 340	999 340	999 340	897 590	937 981	990 190
Surplus/(Deficit)	(5 201)	(206 811)	(167 095)	(105 373)	(121 526)	(121 526)	(121 526)	32 053	42 878	44 809
Transfers and subsidies - capital (monetary allocations)	26 134	-	-	53 420	53 420	53 420	-	29 618	31 885	33 215
Transfers and subsidies - capital (in-kind)	-	-	-	119 417	119 417	119 417	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	20 933	(206 811)	(167 095)	67 465	51 312	51 312	(121 526)	61 671	74 773	78 024
Share of Surplus/(Deficit) attributable to Associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	20 933	(206 811)	(167 095)	67 465	51 312	51 312	(121 526)	61 671	74 773	78 024
Capital expenditure & funds sources										
Capital expenditure	20 743	38 048	68 494	86 740	81 572	81 572	32 348	64 145	87 976	40 039
Transfers recognised - capital	19 125	34 896	40 335	53 420	53 472	53 472	24 129	29 645	31 924	2 354
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	1 618	3 153	28 167	12 320	28 100	28 100	8 220	34 500	38 053	37 675
Total sources of capital funds	20 748	38 050	68 493	86 740	81 572	81 572	32 348	64 145	67 977	40 039
Financial position										
Total current assets	517 803	541 155	686 246	196 010	156 347	156 347	842 781	394 870	537 870	716 468
Total non current assets	1 027 082	984 037	1 050 682	996 847	1 014 092	1 014 092	1 085 397	1 089 388	1 101 869	1 083 526
Total current liabilities	1 023 235	1 448 343	1 769 662	(16 295)	(22 560)	(22 560)	2 130 637	1 537 245	1 814 959	1 894 851
Total non current liabilities	48 724	50 983	51 833	683 528	683 528	683 528	57 612	70 188	72 801	75 591
Community wealth/Equity	474 926	24 817	(84 568)	525 624	509 471	509 471	(284 286)	(123 185)	(48 422)	29 603
Cash flows										
Net cash from (used) operating	59 041	193 927	198 904	108 909	81 478	81 476	81 476	136 234	152 815	155 535
Net cash from (used) Investing	(23 278)	(42 475)	(76 837)	(62 740)	(78 672)	(78 672)	(78 672)	(64 145)	(67 976)	(40 039)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year end	39 530	157 057	127 937	76 169	32 904	32 904	32 904	78 788	163 808	279 102
Cash backing/surplus reconciliation										
Non current investments	(0)	37 026	51 301	(86 622)	(86 622)	(86 622)	42 155	-	-	-
Statutory requirements	(825 986)	(1 188 881)	(1 382 987)	155 569	111 788	111 788	(1 425 458)	(1 083 170)	(998 191)	(879 886)
Balance - surplus (shortfall)	825 986	1 205 907	1 434 288	(242 202)	(196 410)	(196 410)	1 467 613	1 083 170	998 191	879 886
Asset management										
Asset register summary (WDV)	995 183	945 867	1 007 712	995 847	1 014 092	1 014 092	1 014 092	1 089 368	1 101 869	1 083 526
Depreciation	(13 545)	14 764	29 000	52 446	51 033	51 033	51 033	53 279	55 676	58 182
Renewal and Upgrading of Existing Assets	19 022	26 140	51 720	57 920	69 064	69 064	69 064	50 645	48 959	27 480
Repairs and Maintenance	2 453	21 244	46 078	26 052	52 408	52 408	52 408	31 228	32 633	34 102
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	23 002	9	2 895	7 336	7 338	7 338	7 338	8 022	8 383	8 760
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

MP311 Victor Khanye - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	###	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1									
Revenue - Functional										
<i>Governance and administration</i>		224 291	150 331	312 253	345 621	354 015	354 015	306 414	320 120	334 512
Executive and council		—	—	—	—	—	—	—	—	—
Finance and administration		224 291	150 331	312 253	345 621	354 015	354 015	306 414	320 120	334 512
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		5 384	5 432	5 013	6 572	6 802	6 902	7 760	8 110	8 474
Community and social services		481	318	1 789	1 967	1 967	1 967	2 608	2 728	2 948
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		2 840	2 480	1 600	3 363	3 363	3 363	3 511	3 669	3 834
Housing		2 072	2 654	1 624	1 242	1 572	1 672	1 641	1 715	1 792
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		1 720	—	—	4 772	4 172	4 172	4 356	4 552	4 758
Planning and development		—	—	—	4 772	4 172	4 172	4 356	4 552	4 758
Road transport		1 720	—	—	—	—	—	—	—	—
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		327 932	312 967	345 668	589 074	685 564	685 564	640 732	673 973	710 472
Energy sources		159 565	153 242	178 524	210 547	239 199	239 199	321 993	348 038	361 619
Water management		95 784	48 959	57 687	170 770	195 011	195 011	186 984	198 274	204 895
Waste water management		38 917	9 932	11 909	170 772	189 289	189 289	81 667	85 555	89 406
Waste management		35 686	102 835	97 438	38 906	52 064	52 064	48 868	52 108	54 451
Other	4	—	—	—	—	—	—	—	—	—
Total Revenue - Functional	2	659 337	468 730	662 834	948 039	1 050 682	1 050 682	959 261	1 012 735	1 058 215
Expenditure - Functional										
<i>Governance and administration</i>		172 365	136 887	304 809	332 800	385 102	385 102	284 840	276 758	289 212
Executive and council		20 382	25 635	43 024	45 646	54 551	54 551	44 510	46 613	48 608
Finance and administration		151 684	111 551	281 580	287 154	310 551	310 551	220 330	230 245	240 608
Internal audit		—	(498)	5	—	—	—	—	—	—
<i>Community and public safety</i>		28 278	36 867	70 222	65 962	89 386	89 386	104 180	108 888	113 767
Community and social services		8 554	14 646	27 975	9 424	32 945	32 945	34 554	36 109	37 734
Sport and recreation		1 512	842	2 300	3 037	3 041	3 041	2 993	3 128	3 268
Public safety		16 847	21 378	38 848	53 102	51 359	51 359	64 715	67 627	70 670
Housing		1 364	—	1 299	400	2 041	2 041	1 919	2 005	2 095
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		37 204	37 197	39 913	52 238	50 901	50 901	55 260	57 747	60 345
Planning and development		10 858	10 098	13 919	15 074	12 607	12 607	14 458	15 707	15 788
Road transport		26 316	26 930	25 474	36 374	37 503	37 503	39 043	40 800	42 638
Environmental protection		20	170	520	781	781	781	1 760	1 840	1 922
<i>Trading services</i>		288 863	484 591	415 186	427 574	493 952	493 952	473 310	494 608	516 666
Energy sources		171 020	274 944	262 678	242 182	308 752	308 752	273 709	286 026	298 897
Water management		79 052	137 645	107 799	114 289	126 642	126 642	131 359	137 280	143 458
Waste water management		17 829	30 899	35 738	40 620	50 122	50 122	54 845	57 313	59 892
Waste management		30 962	21 203	8 970	30 473	8 237	8 237	13 387	13 989	14 619
Other	4	1 894	—	—	—	—	—	—	—	—
Total Expenditure - Functional	3	536 404	675 542	829 929	878 874	993 340	993 340	887 590	937 981	980 190
Surplus/(Deficit) for the year		20 933	(206 811)	(167 095)	67 465	51 312	51 312	61 671	74 773	78 024

References

1. Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes
2. Total Revenue by functional classification must reconcile to Total Operating Revenue shown in Budgeted Financial Performance (revenue and expenditure)
3. Total Expenditure by Functional Classification must reconcile to Total Operating Expenditure shown in Budgeted Financial Performance (revenue and expenditure)
4. All amounts must be classified under a functional classification. The GFS function 'Other' is only for Abbatoirs, Air Transport, Forestry, Licensing and Regulation, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification.

MP311 Victor Khanye - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	###	2021/22	2022/23	2023/24
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome
Revenue - Functional				
Municipal governance and administration		224 291	150 331	312 253
Executive and council		-	-	-
Mayor and Council		-	-	-
Municipal Manager, Town Secretary and Chief Executive		-	-	-
Finance and administration		224 291	150 331	312 253
Administrative and Corporate Support		924	407	643
Asset Management		-	-	-
Finance		223 359	149 923	311 610
Fleet Management		-	-	-
Human Resources		-	-	-
Information Technology		-	-	-
Legal Services		-	-	-
Marketing, Customer Relations, Publicity and Media Co-ordination		-	-	-
Property Services		8	1	-
Risk Management		-	-	-
Security Services		-	-	-
Supply Chain Management		-	-	-
Valuation Service		-	-	-
Internal audit		-	-	-
Governance Function		-	-	-
Community and public safety		5 394	5 432	5 013
Community and social services		481	318	1 789
Aged Care		-	-	-
Agricultural		-	-	-
Animal Care and Diseases		-	-	-
Cemeteries, Funeral Parlours and Crematoriums		481	318	355
Child Care Facilities		-	-	-
Community Halls and Facilities		-	-	1 434
Consumer Protection		-	-	-
Cultural Matters		-	-	-
Disaster Management		-	-	-
Education		-	-	-
Indigenous and Customary Law		-	-	-
Industrial Promotion		-	-	-
Language Policy		-	-	-
Libraries and Archives		-	-	-
Literacy Programmes		-	-	-
Media Services		-	-	-
Museums and Art Galleries		-	-	-
Population Development		-	-	-
Provincial Cultural Matters		-	-	-
Theatres		-	-	-
Zoo's		-	-	-
Sport and recreation		-	-	-
Beaches and Jetties		-	-	-
Casinos, Racing, Gambling, Wagering		-	-	-
Community Parks (including Nurseries)		-	-	-
Recreational Facilities		-	-	-
Sports Grounds and Stadiums		-	-	-
Public safety		2 840	2 460	1 600
Civil Defence		-	-	-
Cleansing		-	-	-
Control of Public Nuisances		-	-	-
Fencing and Fences		-	-	-
Fire Fighting and Protection		405	761	1 267

MP311 Victor Khanye - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classificat

Functional Classification Description	###	2021/22	2022/23	2023/24
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome
<i>Licensing and Control of Animals</i>		-	-	-
<i>Police Forces, Traffic and Street Parking Control</i>		2 435	1 699	333
<i>Pounds</i>		-	-	-
<i>Housing</i>		2 072	2 654	1 624
<i>Housing</i>		2 072	2 654	1 624
<i>Informal Settlements</i>		-	-	-
<i>Health</i>		-	-	-
<i>Ambulance</i>		-	-	-
<i>Health Services</i>		-	-	-
<i>Laboratory Services</i>		-	-	-
<i>Food Control</i>		-	-	-
<i>Health Surveillance and Prevention of Communicable Diseases</i>		-	-	-
<i>Vector Control</i>		-	-	-
<i>Chemical Safety</i>		-	-	-
Economic and environmental services		1 720	-	-
<i>Planning and development</i>		-	-	-
<i>Billboards</i>		-	-	-
<i>Corporate Wide Strategic Planning (IDPs, LEDs)</i>		-	-	-
<i>Central City Improvement District</i>		-	-	-
<i>Development Facilitation</i>		-	-	-
<i>Economic Development/Planning</i>		-	-	-
<i>Regional Planning and Development</i>		-	-	-
<i>Town Planning, Building Regulations and Enforcement, and City</i>		-	-	-
<i>Project Management Unit</i>		-	-	-
<i>Provincial Planning</i>		-	-	-
<i>Support to Local Municipalities</i>		-	-	-
<i>Road transport</i>		1 720	-	-
<i>Public Transport</i>		-	-	-
<i>Road and Traffic Regulation</i>		-	-	-
<i>Roads</i>		1 720	-	-
<i>Taxi Ranks</i>		-	-	-
<i>Environmental protection</i>		-	-	-
<i>Biodiversity and Landscape</i>		-	-	-
<i>Coastal Protection</i>		-	-	-
<i>Indigenous Forests</i>		-	-	-
<i>Nature Conservation</i>		-	-	-
<i>Pollution Control</i>		-	-	-
<i>Soil Conservation</i>		-	-	-
Trading services		327 932	312 967	345 568
<i>Energy sources</i>		159 565	153 242	178 524
<i>Electricity</i>		159 565	153 242	178 524
<i>Street Lighting and Signal Systems</i>		-	-	-
<i>Nonelectric Energy</i>		-	-	-
<i>Water management</i>		95 764	46 959	57 697
<i>Water Treatment</i>		-	-	-
<i>Water Distribution</i>		95 764	46 959	57 697
<i>Water Storage</i>		-	-	-
<i>Waste water management</i>		36 917	9 932	11 909
<i>Public Toilets</i>		-	-	-
<i>Sewerage</i>		36 917	9 932	11 909
<i>Storm Water Management</i>		-	-	-
<i>Waste Water Treatment</i>		-	-	-
<i>Waste management</i>		35 686	102 835	97 438
<i>Recycling</i>		-	-	-
<i>Solid Waste Disposal (Landfill Sites)</i>		-	-	-
<i>Solid Waste Removal</i>		35 686	102 835	97 438

MP311 Victor Khanye - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	###	2021/22	2022/23	2023/24
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome
<i>Street Cleaning</i>		-	-	-
Other		-	-	-
Abattoirs		-	-	-
Air Transport		-	-	-
Forestry		-	-	-
Licensing and Regulation		-	-	-
Markets		-	-	-
Tourism		-	-	-
Total Revenue - Functional	2	559 337	468 730	662 834
Expenditure - Functional				
<i>Municipal governance and administration</i>		172 365	136 887	304 609
Executive and council		20 382	25 835	43 024
<i>Mayor and Council</i>		9 591	12 822	12 763
<i>Municipal Manager, Town Secretary and Chief Executive</i>		10 791	13 013	30 261
Finance and administration		151 984	111 551	261 580
<i>Administrative and Corporate Support</i>		29 740	29 484	39 534
<i>Asset Management</i>		-	-	-
<i>Finance</i>		81 543	48 994	204 287
<i>Fleet Management</i>		3 952	6 513	8 895
<i>Human Resources</i>		-	-	-
<i>Information Technology</i>		16 100	15 713	8 864
<i>Legal Services</i>		-	-	-
<i>Marketing, Customer Relations, Publicity and Media Co-ordination</i>		-	-	-
<i>Property Services</i>		9 851	-	-
<i>Risk Management</i>		-	-	-
<i>Security Services</i>		10 788	10 839	-
<i>Supply Chain Management</i>		9	8	-
<i>Valuation Service</i>		-	-	-
Internal audit		-	(498)	5
<i>Governance Function</i>		-	(498)	5
Community and public safety		28 278	36 867	70 222
Community and social services		8 554	14 646	27 975
<i>Aged Care</i>		-	-	-
<i>Agricultural</i>		67	-	-
<i>Animal Care and Diseases</i>		-	-	-
<i>Cemeteries, Funeral Parlours and Crematoriums</i>		4 409	7 799	25 094
<i>Child Care Facilities</i>		-	-	-
<i>Community Halls and Facilities</i>		253	4 262	881
<i>Consumer Protection</i>		-	-	-
<i>Cultural Matters</i>		-	-	-
<i>Disaster Management</i>		-	-	-
<i>Education</i>		-	-	-
<i>Indigenous and Customary Law</i>		-	-	-
<i>Industrial Promotion</i>		-	-	-
<i>Language Policy</i>		-	-	-
<i>Libraries and Archives</i>		3 827	2 584	2 000
<i>Literacy Programmes</i>		-	-	-
<i>Media Services</i>		-	-	-
<i>Museums and Art Galleries</i>		-	-	-
<i>Population Development</i>		-	-	-
<i>Provincial Cultural Matters</i>		-	-	-
<i>Theatres</i>		-	-	-
<i>Zoo's</i>		-	-	-
Sport and recreation		1 512	842	2 300
<i>Beaches and Jetties</i>		-	-	-
<i>Casinos, Racing, Gambling, Wagering</i>		-	-	-

MP311 Victor Khanye - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classificat

Functional Classification Description	###	2021/22	2022/23	2023/24
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome
Community Parks (including Nurseries)		1 512	842	1 651
Recreational Facilities		-	-	-
Sports Grounds and Stadiums		-	-	649
Public safety		16 847	21 378	38 648
Civil Defence		-	-	-
Cleansing		-	-	-
Control of Public Nuisances		-	-	-
Fencing and Fences		-	-	-
Fire Fighting and Protection		10 113	12 242	9 895
Licensing and Control of Animals		-	-	-
Police Forces, Traffic and Street Parking Control		6 734	9 136	28 753
Pounds		-	-	-
Housing		1 364	-	1 299
Housing		1 364	-	1 299
Informal Settlements		-	-	-
Health		-	-	-
Ambulance		-	-	-
Health Services		-	-	-
Laboratory Services		-	-	-
Food Control		-	-	-
Health Surveillance and Prevention of Communicable Diseases		-	-	-
Vector Control		-	-	-
Chemical Safety		-	-	-

MP311 Victor Khanye - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classificat

Functional Classification Description	###	2021/22	2022/23	2023/24
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome
Economic and environmental services		37 204	37 197	39 913
Planning and development		10 858	10 096	13 919
Billboards		-	-	-
Corporate Wide Strategic Planning (IDPs, LEDS)		3 275	6 532	6 170
Central City Improvement District		-	-	-
Development Facilitation		-	-	-
Economic Development/Planning		-	-	-
Regional Planning and Development		-	-	-
Town Planning, Building Regulations and Enforcement, and City		7 583	3 564	7 746
Project Management Unit		-	-	3
Provincial Planning		-	-	-
Support to Local Municipalities		-	-	-
Road transport		26 315	26 930	25 474
Public Transport		-	491	1 235
Road and Traffic Regulation		-	-	-
Roads		26 315	26 439	24 239
Taxi Ranks		-	-	-
Environmental protection		30	170	520
Biodiversity and Landscape		-	-	-
Coastal Protection		-	-	-
Indigenous Forests		-	-	-
Nature Conservation		-	-	-
Pollution Control		30	170	520
Soil Conservation		-	-	-
Trading services		298 863	464 591	415 186
Energy sources		171 020	274 944	262 678
Electricity		171 020	274 944	262 678
Street Lighting and Signal Systems		-	-	-
Nonelectric Energy		-	-	-
Water management		79 052	137 545	107 799
Water Treatment		6 745	3 926	3 848
Water Distribution		72 307	133 620	103 951
Water Storage		-	-	-
Waste water management		17 829	30 899	35 738
Public Toilets		-	-	-
Sewerage		17 001	30 899	34 306
Storm Water Management		828	-	1 409
Waste Water Treatment		-	-	22
Waste management		30 962	21 203	8 970
Recycling		-	-	-
Solid Waste Disposal (Landfill Sites)		662	1 546	2 805
Solid Waste Removal		30 300	19 657	6 165
Street Cleaning		-	-	-
Other		1 694	-	-
Abattoirs		-	-	-
Air Transport		-	-	-
Forestry		-	-	-
Licensing and Regulation		1 694	-	-
Markets		-	-	-
Tourism		-	-	-
Total Expenditure - Functional	3	538 404	675 542	829 929
Surplus/(Deficit) for the year		20 933	(206 811)	(167 095)

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Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
-	-	-	-	-	-
1 963	1 963	1 963	2 049	2 141	2 238
-	-	-	-	-	-
1 242	1 572	1 572	1 641	1 715	1 792
1 242	1 572	1 572	1 641	1 715	1 792
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4 772	4 172	4 172	4 356	4 552	4 756
4 772	4 172	4 172	4 356	4 552	4 756
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4 772	4 172	4 172	4 356	4 552	4 756
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
589 074	685 564	685 564	640 732	679 973	710 472
210 547	239 199	239 199	321 993	346 038	361 619
210 547	239 199	239 199	321 993	346 038	361 619
-	-	-	-	-	-
-	-	-	-	-	-
170 770	195 011	195 011	186 984	196 274	204 995
-	-	-	-	-	-
170 770	195 011	195 011	186 984	196 274	204 995
-	-	-	-	-	-
170 772	199 289	199 289	81 887	85 555	89 406
-	-	-	-	-	-
170 772	199 289	199 289	81 887	85 555	89 406
-	-	-	-	-	-
-	-	-	-	-	-
36 986	52 064	52 064	49 868	52 106	54 451
-	-	-	-	-	-
-	-	-	-	-	-
36 986	52 064	52 064	49 868	52 106	54 451

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[illegible]

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Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
3 037	3 041	3 041	2 993	3 128	3 268
-	-	-	-	-	-
-	-	-	-	-	-
53 102	51 359	51 359	64 715	67 627	70 670
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
20 256	17 586	17 586	20 105	21 010	21 955
-	-	-	-	-	-
32 846	33 773	33 773	44 610	46 617	48 715
-	-	-	-	-	-
400	2 041	2 041	1 919	2 005	2 095
400	2 041	2 041	1 919	2 005	2 095
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
52 238	50 901	50 901	55 260	57 747	60 345
15 074	12 607	12 607	14 456	15 107	15 786
-	-	-	-	-	-
2 706	2 340	2 340	5 334	5 574	5 825
-	-	-	-	-	-
5 050	2 550	2 550	-	-	-
1 477	1 477	1 477	1 542	1 612	1 684
-	-	-	-	-	-
5 840	6 240	6 240	7 580	7 921	8 278
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36 374	37 503	37 503	39 043	40 800	42 636
-	-	-	-	-	-
-	-	-	-	-	-
36 374	37 503	37 503	39 043	40 800	42 636
-	-	-	-	-	-
791	791	791	1 760	1 840	1 922
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
791	791	791	1 760	1 840	1 922
-	-	-	-	-	-
427 574	493 952	493 952	473 310	494 608	516 866
242 182	308 752	308 752	273 709	286 026	298 897
242 182	308 752	308 752	273 709	286 026	298 897
-	-	-	-	-	-
-	-	-	-	-	-
114 299	126 842	126 842	131 369	137 280	143 458
2 560	4 076	4 076	6 000	6 270	6 552
111 739	122 766	122 766	125 369	131 010	136 906
-	-	-	-	-	-
40 620	50 122	50 122	54 845	57 313	59 892
-	-	-	-	-	-
40 620	50 122	50 122	51 345	53 655	56 070
-	-	-	1 500	1 568	1 638
-	-	-	2 000	2 090	2 184
30 473	8 237	8 237	13 387	13 989	14 619
-	-	-	-	-	-
3 000	3 000	3 000	2 500	2 613	2 730
27 473	5 237	5 237	10 887	11 377	11 889
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
878 574	999 340	999 340	897 590	937 981	980 190
67 465	51 312	51 312	61 671	74 773	78 024

MP311 Victor Khanye - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description		###	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Revenue by Vote		1									
Vote 1 - Office of the Municipal Manager			—	—	—	—	—	—	—	—	—
Vote 2 - Budget and Treasury			223 387	149 928	311 610	345 321	353 415	353 415	305 787	319 466	333 828
Vote 3 - Corporate Services			924	407	643	300	600	800	626	655	684
Vote 4 - Community and Social Services			481	318	1 789	1 967	1 967	1 987	2 608	2 728	2 848
Vote 5 - Sport and Recreation			—	—	—	—	—	—	—	—	—
Vote 6 - Public Safety			2 840	2 460	1 600	3 383	3 383	3 383	3 511	3 669	3 834
Vote 7 - Housing			2 072	2 654	1 624	1 242	1 572	1 572	1 641	1 715	1 792
Vote 8 - Health Services			—	—	—	—	—	—	—	—	—
Vote 9 - Planning and Development			—	—	—	4 772	4 172	4 172	4 366	4 552	4 756
Vote 10 - Roads Transport			1 720	—	—	—	—	—	—	—	—
Vote 11 - Electricity Services			159 585	153 242	176 524	210 547	239 199	239 199	321 989	346 038	361 819
Vote 12 - Water Services			95 764	46 959	57 597	170 770	195 011	195 011	186 684	198 274	204 996
Vote 13 - Waste Water Management			36 917	9 932	11 909	170 772	199 289	199 289	81 887	85 555	89 408
Vote 14 - Solid Waste Management			35 888	102 835	97 438	38 986	52 064	52 064	49 668	52 106	54 451
Vote 15 -			—	—	—	—	—	—	—	—	—
Total Revenue by Vote		2	559 337	488 730	662 834	846 039	1 050 652	1 060 682	959 281	1 012 765	1 058 215
Expenditure by Vote to be appropriated		1									
Vote 1 - Office of the Municipal Manager			36 482	41 548	51 888	55 384	66 582	66 582	58 020	60 831	63 359
Vote 2 - Budget and Treasury			102 181	59 840	204 287	291 332	252 063	252 063	159 755	166 944	174 457
Vote 3 - Corporate Services			29 740	26 988	39 539	32 381	80 185	30 186	31 446	32 660	34 339
Vote 4 - Community and Social Services			8 486	14 646	27 975	9 424	32 945	32 946	34 554	38 109	37 734
Vote 5 - Sport and Recreation			1 512	842	2 300	3 037	3 041	3 041	2 993	3 128	3 288
Vote 6 - Public Safety			16 847	21 378	38 648	58 102	51 359	51 359	64 715	67 627	70 670
Vote 7 - Housing			1 364	—	1 299	400	2 041	2 041	1 919	2 005	2 095
Vote 8 - Health Services			—	—	—	—	—	—	—	—	—
Vote 9 - Planning and Development			10 858	10 096	13 919	10 024	10 057	10 057	14 456	16 107	15 786
Vote 10 - Roads Transport			32 028	33 443	25 810	50 077	52 702	52 702	53 544	56 953	58 471
Vote 11 - Electricity Services			171 020	274 944	282 678	242 182	308 762	308 762	273 709	286 026	298 897
Vote 12 - Water Services			72 307	133 820	103 951	111 739	122 766	122 766	126 369	131 010	136 906
Vote 13 - Waste Water Management			24 574	34 825	39 596	43 180	54 198	54 198	60 645	63 583	66 444
Vote 14 - Solid Waste Management			30 992	21 374	9 490	31 263	9 027	9 027	15 147	15 829	16 541
Vote 15 -			—	—	—	—	—	—	—	—	—
Total Expenditure by Vote		2	538 484	675 542	821 170	873 524	995 718	995 718	896 470	935 811	976 966
Surplus/(Deficit) for the year		2	20 933	(206 811)	(158 336)	72 515	54 934	54 934	62 791	75 943	79 247

MP311 Victor Khanye - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description	###	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand										
Revenue by Vote	1									
Vote 1 - Office of the Municipal Manager										
1.1 - Mayor and Council		-	-	-	-	-	-	-	-	-
1.2 - Municipal Manager, Town Secretary and Chief Executive		-	-	-	-	-	-	-	-	-
1.3 - Information Technology		-	-	-	-	-	-	-	-	-
1.4 -		-	-	-	-	-	-	-	-	-
1.5 -		-	-	-	-	-	-	-	-	-
1.6 -		-	-	-	-	-	-	-	-	-
1.7 -		-	-	-	-	-	-	-	-	-
1.8 -		-	-	-	-	-	-	-	-	-
1.9 -		-	-	-	-	-	-	-	-	-
1.10 -		-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		223 367	149 923	311 610	345 321	353 415	353 415	305 787	319 466	333 828
2.1 - Finance		223 369	149 923	311 610	344 991	353 415	353 415	305 787	319 466	333 828
2.2 - Property Services		8	1	-	330	-	-	-	-	-
2.3 - Supply Chain Management		-	-	-	-	-	-	-	-	-
2.4 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-
2.5 -		-	-	-	-	-	-	-	-	-
2.6 -		-	-	-	-	-	-	-	-	-
2.7 -		-	-	-	-	-	-	-	-	-
2.8 -		-	-	-	-	-	-	-	-	-
2.9 -		-	-	-	-	-	-	-	-	-
2.10 -		-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		924	407	643	300	600	600	626	655	684
3.1 - Administrative and Corporate Support		924	407	643	300	630	600	626	655	684
3.2 -		-	-	-	-	-	-	-	-	-
3.3 -		-	-	-	-	-	-	-	-	-
3.4 -		-	-	-	-	-	-	-	-	-
3.5 -		-	-	-	-	-	-	-	-	-
3.6 -		-	-	-	-	-	-	-	-	-
3.7 -		-	-	-	-	-	-	-	-	-
3.8 -		-	-	-	-	-	-	-	-	-
3.9 -		-	-	-	-	-	-	-	-	-
3.10 -		-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		481	318	1 789	1 967	1 967	1 967	2 868	2 726	2 848
4.1 - DIRECTOR COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-
4.2 - Libraries and Archives		-	-	1 434	1 381	1 381	1 361	1 978	2 065	2 158
4.3 - Community Halls and Facilities		-	-	-	-	-	-	-	-	-
4.4 - Cemeteries, Funeral Parlours and Crematoriums		481	318	355	606	606	606	632	661	691
4.5 -		-	-	-	-	-	-	-	-	-
4.6 -		-	-	-	-	-	-	-	-	-
4.7 -		-	-	-	-	-	-	-	-	-
4.8 -		-	-	-	-	-	-	-	-	-
4.9 -		-	-	-	-	-	-	-	-	-
4.10 -		-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		-	-	-	-	-	-	-	-	-
5.1 - PARKS AND RECREATION		-	-	-	-	-	-	-	-	-
5.2 -		-	-	-	-	-	-	-	-	-
5.3 -		-	-	-	-	-	-	-	-	-
5.4 -		-	-	-	-	-	-	-	-	-
5.5 -		-	-	-	-	-	-	-	-	-
5.6 -		-	-	-	-	-	-	-	-	-
5.7 -		-	-	-	-	-	-	-	-	-
5.8 -		-	-	-	-	-	-	-	-	-
5.9 -		-	-	-	-	-	-	-	-	-
5.10 -		-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		2 840	2 460	1 600	3 383	3 383	3 383	3 511	3 669	3 834
6.1 - Police Forces, Traffic and Street Parking Control		2 435	1 689	333	1 983	1 983	1 963	2 049	2 141	2 238
6.2 - Fire Fighting and Protection		405	761	1 267	1 400	1 400	1 400	1 462	1 527	1 596
6.3 -		-	-	-	-	-	-	-	-	-
6.4 -		-	-	-	-	-	-	-	-	-
6.5 -		-	-	-	-	-	-	-	-	-
6.6 -		-	-	-	-	-	-	-	-	-
6.7 -		-	-	-	-	-	-	-	-	-
6.8 -		-	-	-	-	-	-	-	-	-
6.9 -		-	-	-	-	-	-	-	-	-
6.10 -		-	-	-	-	-	-	-	-	-
Vote 7 - Housing		2 072	2 654	1 624	1 242	1 572	1 572	1 641	1 715	1 792
7.1 - Housing		2 072	2 654	1 624	1 242	1 572	1 572	1 641	1 715	1 792
7.2 -		-	-	-	-	-	-	-	-	-
7.3 -		-	-	-	-	-	-	-	-	-
7.4 -		-	-	-	-	-	-	-	-	-
7.5 -		-	-	-	-	-	-	-	-	-
7.6 -		-	-	-	-	-	-	-	-	-
7.7 -		-	-	-	-	-	-	-	-	-
7.8 -		-	-	-	-	-	-	-	-	-
7.9 -		-	-	-	-	-	-	-	-	-
7.10 -		-	-	-	-	-	-	-	-	-
Vote 8 - Health Services		-	-	-	-	-	-	-	-	-
8.1 - Health Services		-	-	-	-	-	-	-	-	-
8.2 -		-	-	-	-	-	-	-	-	-
8.3 -		-	-	-	-	-	-	-	-	-
8.4 -		-	-	-	-	-	-	-	-	-
8.5 -		-	-	-	-	-	-	-	-	-
8.6 -		-	-	-	-	-	-	-	-	-

MP311 Victor Khanye - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description	R thousand	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
8.7 -		-	-	-	-	-	-	-	-	-
8.8 -		-	-	-	-	-	-	-	-	-
8.9 -		-	-	-	-	-	-	-	-	-
8.10 -		-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development		-	-	-	4 772	4 172	4 172	4 356	4 552	4 756
9.1 - Corporate Wide Strategic Planning (IDPs, LEDIs)		-	-	-	4 772	4 172	4 172	4 356	4 552	4 756
9.2 -		-	-	-	-	-	-	-	-	-
9.3 -		-	-	-	-	-	-	-	-	-
9.4 -		-	-	-	-	-	-	-	-	-
9.5 -		-	-	-	-	-	-	-	-	-
9.6 -		-	-	-	-	-	-	-	-	-
9.7 -		-	-	-	-	-	-	-	-	-
9.8 -		-	-	-	-	-	-	-	-	-
9.9 -		-	-	-	-	-	-	-	-	-
9.10 -		-	-	-	-	-	-	-	-	-
Vote 10 - Roads Transport		1 720	-	-	-	-	-	-	-	-
10.1 - Roads		1 720	-	-	-	-	-	-	-	-
10.2 - Fleet Management		-	-	-	-	-	-	-	-	-
10.3 - Licensing and Regulation		-	-	-	-	-	-	-	-	-
10.4 - Agricultural		-	-	-	-	-	-	-	-	-
10.5 -		-	-	-	-	-	-	-	-	-
10.6 -		-	-	-	-	-	-	-	-	-
10.7 -		-	-	-	-	-	-	-	-	-
10.8 -		-	-	-	-	-	-	-	-	-
10.9 -		-	-	-	-	-	-	-	-	-
10.10 -		-	-	-	-	-	-	-	-	-
Vote 11 - Electricity Services		159 565	153 242	178 524	210 547	239 199	239 199	321 993	346 038	381 619
11.1 - Electricity		159 565	153 242	178 524	210 547	239 199	239 199	321 993	346 038	381 619
11.2 -		-	-	-	-	-	-	-	-	-
11.3 -		-	-	-	-	-	-	-	-	-
11.4 -		-	-	-	-	-	-	-	-	-
11.5 -		-	-	-	-	-	-	-	-	-
11.6 -		-	-	-	-	-	-	-	-	-
11.7 -		-	-	-	-	-	-	-	-	-
11.8 -		-	-	-	-	-	-	-	-	-
11.9 -		-	-	-	-	-	-	-	-	-
11.10 -		-	-	-	-	-	-	-	-	-
Vote 12 - Water Services		95 764	46 959	57 697	170 770	195 011	195 011	186 984	196 274	204 995
12.1 - Water Distribution		95 764	46 959	57 697	170 770	195 011	195 011	186 984	196 274	204 995
12.2 -		-	-	-	-	-	-	-	-	-
12.3 -		-	-	-	-	-	-	-	-	-
12.4 -		-	-	-	-	-	-	-	-	-
12.5 -		-	-	-	-	-	-	-	-	-
12.6 -		-	-	-	-	-	-	-	-	-
12.7 -		-	-	-	-	-	-	-	-	-
12.8 -		-	-	-	-	-	-	-	-	-
12.9 -		-	-	-	-	-	-	-	-	-
12.10 -		-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management		35 917	9 932	11 909	170 772	199 269	199 269	81 687	85 555	89 406
13.1 - Sewerage		35 917	9 932	11 909	170 772	199 269	199 269	81 687	85 555	89 406
13.2 -		-	-	-	-	-	-	-	-	-
13.3 -		-	-	-	-	-	-	-	-	-
13.4 -		-	-	-	-	-	-	-	-	-
13.5 -		-	-	-	-	-	-	-	-	-
13.6 -		-	-	-	-	-	-	-	-	-
13.7 -		-	-	-	-	-	-	-	-	-
13.8 -		-	-	-	-	-	-	-	-	-
13.9 -		-	-	-	-	-	-	-	-	-
13.10 -		-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management		35 686	102 835	97 438	36 986	52 064	52 064	49 668	52 106	54 451
14.1 - Solid Waste Removal		35 686	102 835	97 438	36 986	52 064	52 064	49 668	52 106	54 451
14.2 -		-	-	-	-	-	-	-	-	-
14.3 -		-	-	-	-	-	-	-	-	-
14.4 -		-	-	-	-	-	-	-	-	-
14.5 -		-	-	-	-	-	-	-	-	-
14.6 -		-	-	-	-	-	-	-	-	-
14.7 -		-	-	-	-	-	-	-	-	-
14.8 -		-	-	-	-	-	-	-	-	-
14.9 -		-	-	-	-	-	-	-	-	-
14.10 -		-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-
15.1 -		-	-	-	-	-	-	-	-	-
15.2 -		-	-	-	-	-	-	-	-	-
15.3 -		-	-	-	-	-	-	-	-	-
15.4 -		-	-	-	-	-	-	-	-	-
15.5 -		-	-	-	-	-	-	-	-	-
15.6 -		-	-	-	-	-	-	-	-	-
15.7 -		-	-	-	-	-	-	-	-	-
15.8 -		-	-	-	-	-	-	-	-	-
15.9 -		-	-	-	-	-	-	-	-	-
15.10 -		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	559 337	468 730	602 834	946 039	1 050 652	1 050 652	959 261	1 012 755	1 058 215

MP311 Victor Khanye - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description	R thousand	2021/22 Audited Outcome	2022/23 Audited Outcome	2023/24 Audited Outcome	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
					Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
Expenditure by Vote	1									
Vote 1 - Office of the Municipal Manager		36 482	41 548	51 988	55 384	68 582	66 582	58 026	69 631	63 359
1.1 - Mayor and Council		9 591	12 822	12 763	14 151	15 887	15 887	14 685	15 325	16 015
1.2 - Municipal Manager, Town Secretary and Chief Executive		10 791	13 013	30 261	31 485	38 663	38 663	29 845	31 188	32 591
1.3 - Information Technology		16 100	15 713	8 964	9 738	12 031	12 031	13 510	14 118	14 753
1.4 -		-	-	-	-	-	-	-	-	-
1.5 -		-	-	-	-	-	-	-	-	-
1.6 -		-	-	-	-	-	-	-	-	-
1.7 -		-	-	-	-	-	-	-	-	-
1.8 -		-	-	-	-	-	-	-	-	-
1.9 -		-	-	-	-	-	-	-	-	-
1.10 -		-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		102 191	59 840	204 287	231 332	252 063	252 063	159 755	166 944	174 457
2.1 - Finance		92 331	59 833	204 287	231 332	252 063	252 063	159 755	166 944	174 457
2.2 - Property Services		9 851	-	-	-	-	-	-	-	-
2.3 - Supply Chain Management		9	8	-	-	-	-	-	-	-
2.4 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-
2.5 -		-	-	-	-	-	-	-	-	-
2.6 -		-	-	-	-	-	-	-	-	-
2.7 -		-	-	-	-	-	-	-	-	-
2.8 -		-	-	-	-	-	-	-	-	-
2.9 -		-	-	-	-	-	-	-	-	-
2.10 -		-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		29 740	28 986	39 538	32 381	30 185	30 185	31 445	32 860	34 339
3.1 - Administrative and Corporate Support		29 740	28 986	39 538	32 381	30 185	30 185	31 445	32 860	34 339
3.2 -		-	-	-	-	-	-	-	-	-
3.3 -		-	-	-	-	-	-	-	-	-
3.4 -		-	-	-	-	-	-	-	-	-
3.5 -		-	-	-	-	-	-	-	-	-
3.6 -		-	-	-	-	-	-	-	-	-
3.7 -		-	-	-	-	-	-	-	-	-
3.8 -		-	-	-	-	-	-	-	-	-
3.9 -		-	-	-	-	-	-	-	-	-
3.10 -		-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		8 488	14 646	27 875	9 424	32 945	32 945	34 954	36 109	37 734
4.1 - DIRECTOR:COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-
4.2 - Libraries and Archives		3 827	2 584	2 000	2 720	2 068	2 068	2 156	2 253	2 354
4.3 - Community Halls and Facilities		253	4 262	881	-	1 255	1 255	1 294	1 352	1 413
4.4 - Cemeteries, Funeral Parlours and Crematoriums		4 409	7 759	25 094	6 703	29 622	29 622	31 105	32 504	33 967
4.5 -		-	-	-	-	-	-	-	-	-
4.6 -		-	-	-	-	-	-	-	-	-
4.7 -		-	-	-	-	-	-	-	-	-
4.8 -		-	-	-	-	-	-	-	-	-
4.9 -		-	-	-	-	-	-	-	-	-
4.10 -		-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		1 512	842	2 300	3 037	3 041	3 041	2 993	3 128	3 268
5.1 - PARKS AND RECREATION		1 512	842	2 300	3 037	3 041	3 041	2 993	3 128	3 268
5.2 -		-	-	-	-	-	-	-	-	-
5.3 -		-	-	-	-	-	-	-	-	-
5.4 -		-	-	-	-	-	-	-	-	-
5.5 -		-	-	-	-	-	-	-	-	-
5.6 -		-	-	-	-	-	-	-	-	-
5.7 -		-	-	-	-	-	-	-	-	-
5.8 -		-	-	-	-	-	-	-	-	-
5.9 -		-	-	-	-	-	-	-	-	-
5.10 -		-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		16 847	21 378	36 648	53 102	51 359	51 359	64 715	67 627	70 670
6.1 - Police Forces, Traffic and Street Parking Control		6 734	9 138	28 753	32 846	33 773	33 773	44 810	46 617	48 715
6.2 - Fire Fighting and Protection		10 113	12 242	9 895	20 256	17 586	17 586	20 105	21 010	21 955
6.3 -		-	-	-	-	-	-	-	-	-
6.4 -		-	-	-	-	-	-	-	-	-
6.5 -		-	-	-	-	-	-	-	-	-
6.6 -		-	-	-	-	-	-	-	-	-
6.7 -		-	-	-	-	-	-	-	-	-
6.8 -		-	-	-	-	-	-	-	-	-
6.9 -		-	-	-	-	-	-	-	-	-
6.10 -		-	-	-	-	-	-	-	-	-
Vote 7 - Housing		1 364	-	1 299	400	2 041	2 041	1 919	2 005	2 095
7.1 - Housing		1 364	-	1 299	400	2 041	2 041	1 919	2 005	2 095
7.2 -		-	-	-	-	-	-	-	-	-
7.3 -		-	-	-	-	-	-	-	-	-
7.4 -		-	-	-	-	-	-	-	-	-
7.5 -		-	-	-	-	-	-	-	-	-
7.6 -		-	-	-	-	-	-	-	-	-
7.7 -		-	-	-	-	-	-	-	-	-
7.8 -		-	-	-	-	-	-	-	-	-
7.9 -		-	-	-	-	-	-	-	-	-
7.10 -		-	-	-	-	-	-	-	-	-
Vote 8 - Health Services		-	-	-	-	-	-	-	-	-
8.1 - Health Services		-	-	-	-	-	-	-	-	-
8.2 -		-	-	-	-	-	-	-	-	-
8.3 -		-	-	-	-	-	-	-	-	-
8.4 -		-	-	-	-	-	-	-	-	-
8.5 -		-	-	-	-	-	-	-	-	-

MP311 Victor Khanye - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)A

Vote Description	R thousand	###	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
8.6 -	-	-	-	-	-	-	-	-	-	-	-
8.7 -	-	-	-	-	-	-	-	-	-	-	-
8.8 -	-	-	-	-	-	-	-	-	-	-	-
8.9 -	-	-	-	-	-	-	-	-	-	-	-
8.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development			10 858	10 096	13 919	10 024	10 057	10 057	14 456	15 107	15 786
9.1 - Corporate Wide Strategic Planning (IDPs, LEDS)			10 858	10 096	13 919	10 024	10 057	10 057	14 456	15 107	15 786
9.2 -	-	-	-	-	-	-	-	-	-	-	-
9.3 -	-	-	-	-	-	-	-	-	-	-	-
9.4 -	-	-	-	-	-	-	-	-	-	-	-
9.5 -	-	-	-	-	-	-	-	-	-	-	-
9.6 -	-	-	-	-	-	-	-	-	-	-	-
9.7 -	-	-	-	-	-	-	-	-	-	-	-
9.8 -	-	-	-	-	-	-	-	-	-	-	-
9.9 -	-	-	-	-	-	-	-	-	-	-	-
9.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads Transport			32 028	33 443	26 610	50 077	52 702	52 702	53 544	55 953	58 471
10.1 - Roads			26 315	26 930	16 714	36 374	36 430	36 430	37 924	39 630	41 414
10.2 - Fleet Management			3 952	6 513	8 895	13 703	16 272	16 272	15 620	16 323	17 058
10.3 - Licensing and Regulation			1 694	-	-	-	-	-	-	-	-
10.4 - Agricultural			67	-	-	-	-	-	-	-	-
10.5 -	-	-	-	-	-	-	-	-	-	-	-
10.6 -	-	-	-	-	-	-	-	-	-	-	-
10.7 -	-	-	-	-	-	-	-	-	-	-	-
10.8 -	-	-	-	-	-	-	-	-	-	-	-
10.9 -	-	-	-	-	-	-	-	-	-	-	-
10.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity Services			171 020	274 944	262 678	242 182	308 752	308 752	273 709	296 026	298 897
11.1 - Electricity			171 020	274 944	262 678	242 182	308 752	308 752	273 709	296 026	298 897
11.2 -	-	-	-	-	-	-	-	-	-	-	-
11.3 -	-	-	-	-	-	-	-	-	-	-	-
11.4 -	-	-	-	-	-	-	-	-	-	-	-
11.5 -	-	-	-	-	-	-	-	-	-	-	-
11.6 -	-	-	-	-	-	-	-	-	-	-	-
11.7 -	-	-	-	-	-	-	-	-	-	-	-
11.8 -	-	-	-	-	-	-	-	-	-	-	-
11.9 -	-	-	-	-	-	-	-	-	-	-	-
11.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Water Services			72 307	133 620	103 951	111 739	122 766	122 766	125 369	131 010	136 906
12.1 - Water Distribution			72 307	133 620	103 951	111 739	122 766	122 766	125 369	131 010	136 906
12.2 -	-	-	-	-	-	-	-	-	-	-	-
12.3 -	-	-	-	-	-	-	-	-	-	-	-
12.4 -	-	-	-	-	-	-	-	-	-	-	-
12.5 -	-	-	-	-	-	-	-	-	-	-	-
12.6 -	-	-	-	-	-	-	-	-	-	-	-
12.7 -	-	-	-	-	-	-	-	-	-	-	-
12.8 -	-	-	-	-	-	-	-	-	-	-	-
12.9 -	-	-	-	-	-	-	-	-	-	-	-
12.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management			24 574	34 825	39 586	43 180	54 198	54 198	60 845	63 583	66 444
13.1 - Sewerage			24 574	34 825	39 586	43 180	54 198	54 198	60 845	63 583	66 444
13.2 -	-	-	-	-	-	-	-	-	-	-	-
13.3 -	-	-	-	-	-	-	-	-	-	-	-
13.4 -	-	-	-	-	-	-	-	-	-	-	-
13.5 -	-	-	-	-	-	-	-	-	-	-	-
13.6 -	-	-	-	-	-	-	-	-	-	-	-
13.7 -	-	-	-	-	-	-	-	-	-	-	-
13.8 -	-	-	-	-	-	-	-	-	-	-	-
13.9 -	-	-	-	-	-	-	-	-	-	-	-
13.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management			30 992	21 374	9 490	31 263	9 027	9 027	15 147	15 829	16 541
14.1 - Solid Waste Removal			30 992	21 374	9 490	31 263	9 027	9 027	15 147	15 829	16 541
14.2 -	-	-	-	-	-	-	-	-	-	-	-
14.3 -	-	-	-	-	-	-	-	-	-	-	-
14.4 -	-	-	-	-	-	-	-	-	-	-	-
14.5 -	-	-	-	-	-	-	-	-	-	-	-
14.6 -	-	-	-	-	-	-	-	-	-	-	-
14.7 -	-	-	-	-	-	-	-	-	-	-	-
14.8 -	-	-	-	-	-	-	-	-	-	-	-
14.9 -	-	-	-	-	-	-	-	-	-	-	-
14.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 15 -			-	-	-	-	-	-	-	-	-
15.1 -	-	-	-	-	-	-	-	-	-	-	-
15.2 -	-	-	-	-	-	-	-	-	-	-	-
15.3 -	-	-	-	-	-	-	-	-	-	-	-
15.4 -	-	-	-	-	-	-	-	-	-	-	-
15.5 -	-	-	-	-	-	-	-	-	-	-	-
15.6 -	-	-	-	-	-	-	-	-	-	-	-
15.7 -	-	-	-	-	-	-	-	-	-	-	-
15.8 -	-	-	-	-	-	-	-	-	-	-	-
15.9 -	-	-	-	-	-	-	-	-	-	-	-
15.10 -	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure by Vote		2	538 404	675 542	821 170	873 524	995 718	995 718	886 470	936 811	978 868
Surplus/(Deficit) for the year		2	20 933	(206 811)	(158 335)	72 515	54 934	54 934	62 781	75 943	79 247

MP311 Victor Khanye - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	###	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1										
Revenue											
Exchange Revenue											
Service charges - Electricity	2	159 565	153 242	184 431	225 890	225 960	225 960	128 380	246 628	257 727	269 324
Service charges - Water	2	46 985	46 959	56 595	74 236	74 237	74 237	43 744	78 091	82 232	85 933
Service charges - Waste Water Management	2	11 671	9 932	11 909	13 785	13 785	13 785	8 887	14 392	15 040	15 716
Service charges - Waste Management	2	10 438	11 252	12 484	14 672	14 672	14 672	10 521	15 318	16 007	16 727
Sale of Goods and Rendering of Services		1 813	1 488	2 266	6 926	6 926	6 926	1 616	7 231	7 556	7 895
Agency services		-	-	-	-	-	-	-	-	-	-
Interest		-	-	-	-	-	-	-	-	-	-
Interest earned from Receivables		47 082	(9 674)	85 315	90 454	158 290	158 290	763	165 255	172 691	180 462
Interest earned from Current and Non Current Assets		986	1 638	1 037	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		2 081	2 555	1 624	1 572	1 572	1 572	1 071	1 641	1 715	1 792
Licence and permits		-	-	-	-	-	-	-	-	-	-
Special Rating Levies		-	-	-	-	-	-	-	-	-	-
Operational Revenue		821	1 259	337	772	772	772	547	806	842	880
Non-Exchange Revenue											
Property rates	2	85 936	78 579	109 807	123 486	123 486	123 486	70 087	128 920	134 721	140 783
Surcharges and Taxes		46 567	46 340	49 204	33 486	70 193	70 193	47 003	73 281	76 579	80 025
Fines, penalties and forfeits		2 452	1 706	744	2 141	2 141	2 141	1 227	2 235	2 336	2 441
Licences or permits		-	-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		116 808	123 357	143 890	152 985	152 985	152 985	62 427	142 155	157 975	165 082
Interest		-	-	-	32 795	32 795	32 795	4 490	53 090	55 439	57 936
Fuel Levy		-	-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		-	-	-	-	-	-	-	-	-	-
Other Gains		-	-	3 179	-	-	-	2	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		533 203	468 730	662 834	773 201	877 815	877 815	380 786	929 643	980 860	1 025 000
Expenditure											
Employee related costs	2	170 870	177 777	186 893	201 439	201 841	201 841	133 126	210 722	220 204	230 114
Remuneration of councillors		2 689	3 336	9 384	10 101	11 634	11 634	6 469	12 146	12 693	13 264
Bulk purchases - electricity	2	146 472	249 945	203 040	203 854	233 854	233 854	137 845	228 174	238 441	249 171
Inventory consumed	8	82 591	125 281	129 362	92 124	130 692	130 692	62 623	121 450	126 915	132 626
Debt impairment	3	-	-	-	108 336	88 336	88 336	-	-	-	-
Depreciation and amortisation		(13 545)	14 764	29 000	52 446	51 033	51 033	-	53 279	55 676	58 182
Interest		33 752	-	85 022	30 000	50 005	50 005	49 646	50 000	52 250	54 601
Contracted services		81 042	72 060	115 261	92 062	136 167	136 167	74 726	122 668	126 188	133 957
Transfers and subsidies		-	141	-	-	-	-	-	-	-	-
Irrecoverable debts written off		133	-	-	29 800	29 800	29 800	-	31 504	33 018	34 502
Operational costs		34 506	32 239	61 482	58 413	65 978	65 978	30 821	67 557	70 598	73 774
Losses on disposal of Assets		94	-	-	-	-	-	-	-	-	-
Other Losses		-	-	10 507	-	-	-	916	-	-	-
Total Expenditure		538 404	675 542	829 929	878 574	999 340	999 340	496 173	897 590	937 981	980 190
Surplus/(Deficit)		(5 201)	(206 811)	(167 095)	(105 373)	(121 526)	(121 526)	(115 407)	32 053	42 878	44 809
Transfers and subsidies - capital (monetary allocations)	6	26 134	-	-	53 420	53 420	53 420	-	29 518	31 895	33 215
Transfers and subsidies - capital (in-kind)	6	-	-	-	119 417	119 417	119 417	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		20 933	(206 811)	(167 095)	67 465	51 312	51 312	(115 407)	61 671	74 773	78 024
Income Tax		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		20 933	(206 811)	(167 095)	67 465	51 312	51 312	(115 407)	61 671	74 773	78 024
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		20 933	(206 811)	(167 095)	67 465	51 312	51 312	(115 407)	61 671	74 773	78 024
Share of Surplus/Deficit attributable to Associate	7	-	-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	1	20 933	(206 811)	(167 095)	67 465	51 312	51 312	(115 407)	61 671	74 773	78 024

MP311 Victor Khanye - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	###	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 8 - Health Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development		-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads Transport		-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity Services		-	-	-	-	-	-	-	-	-	-
Vote 12 - Water Services		-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management		-	-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Office of the Municipal Manager		-	54	709	2 700	5 250	5 250	-	5 600	5 852	6 115
Vote 2 - Budget and Treasury		273	68	-	400	400	400	-	500	523	546
Vote 3 - Corporate Services		371	28	324	100	250	250	-	450	470	491
Vote 4 - Community and Social Services		-	-	-	20	20	20	-	200	209	218
Vote 5 - Sport and Recreation		2 453	20	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	25	-	-	80	80	-	550	575	601
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
Vote 8 - Health Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development		-	81	-	100	100	100	-	550	575	601
Vote 10 - Roads Transport		11 938	9 413	10 881	19 421	28 864	28 864	-	27 700	29 912	10 920
Vote 11 - Electricity Services		975	5 018	29 396	6 500	18 409	18 409	-	13 000	13 585	14 196
Vote 12 - Water Services		1 260	19 525	23 889	31 499	26 200	26 200	-	3 500	5 462	2 364
Vote 13 - Waste Water Management		1 613	2 736	3 167	3 000	-	-	-	6 445	-	-
Vote 14 - Solid Waste Management		1 791	1 080	127	2 000	1 999	1 999	-	5 650	10 814	3 986
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		20 743	38 048	66 494	65 740	81 572	81 572	-	64 145	67 976	40 039
Total Capital Expenditure - Vote		20 743	38 048	66 494	65 740	81 572	81 572	-	64 145	67 976	40 039
Capital Expenditure - Functional											
Governance and administration		741	2 231	1 034	8 200	13 900	13 900	8 222	16 550	17 295	18 073
Executive and council		-	(0)	-	200	200	200	157	350	368	382
Finance and administration		741	2 231	1 034	8 000	13 700	13 700	8 065	16 200	16 929	17 691
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		2 463	46	-	20	100	100	-	750	784	819
Community and social services		-	-	-	20	20	20	-	200	209	218
Sport and recreation		2 463	20	-	-	-	-	-	-	-	-
Public safety		-	25	-	-	80	80	-	550	575	601
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		11 900	5 675	10 881	14 521	20 964	20 964	9 338	18 400	20 193	764
Planning and development		-	81	-	100	100	100	29	550	575	601
Road transport		11 900	5 594	10 881	14 421	20 864	20 864	9 309	17 700	19 462	-
Environmental protection		-	-	-	-	-	-	-	150	157	164
Trading services		5 639	30 096	56 579	42 999	46 608	46 608	14 789	28 445	29 705	20 332
Energy sources		975	6 756	29 396	6 500	18 409	18 409	11 906	13 000	13 585	14 196
Water management		1 260	19 525	23 889	31 499	26 200	26 200	2 031	3 500	5 462	2 364
Waste water management		1 613	2 736	3 167	3 000	-	-	-	6 445	-	-
Waste management		1 791	1 080	127	2 000	1 999	1 999	852	5 500	10 658	3 822
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	20 743	38 048	66 494	65 740	81 572	81 572	32 349	64 145	67 976	40 039
Funded by:											
National Government		19 125	34 896	40 335	53 420	53 472	53 472	24 129	29 645	31 924	2 364
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	19 125	34 896	40 335	53 420	53 472	53 472	24 129	29 645	31 924	2 364
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		1 618	3 153	28 157	12 320	28 100	28 100	8 220	34 500	36 053	37 675
Total Capital Funding	7	20 743	38 050	68 493	65 740	81 572	81 572	32 349	64 145	67 977	40 039

MP311 Victor Khanye - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	###	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand	1										
Capital expenditure - Municipal Vote	2										
Multi-year expenditure appropriation											
Vote 1 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-	-
1.1 - Mayor and Council		-	-	-	-	-	-	-	-	-	-
1.2 - Municipal Manager, Town Secretary and Chief Executive		-	-	-	-	-	-	-	-	-	-
1.3 - Information Technology		-	-	-	-	-	-	-	-	-	-
1.4 -		-	-	-	-	-	-	-	-	-	-
1.5 -		-	-	-	-	-	-	-	-	-	-
1.6 -		-	-	-	-	-	-	-	-	-	-
1.7 -		-	-	-	-	-	-	-	-	-	-
1.8 -		-	-	-	-	-	-	-	-	-	-
1.9 -		-	-	-	-	-	-	-	-	-	-
1.10 -		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
2.1 - Finance		-	-	-	-	-	-	-	-	-	-
2.2 - Property Services		-	-	-	-	-	-	-	-	-	-
2.3 - Supply Chain Management		-	-	-	-	-	-	-	-	-	-
2.4 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-	-
2.5 -		-	-	-	-	-	-	-	-	-	-
2.6 -		-	-	-	-	-	-	-	-	-	-
2.7 -		-	-	-	-	-	-	-	-	-	-
2.8 -		-	-	-	-	-	-	-	-	-	-
2.9 -		-	-	-	-	-	-	-	-	-	-
2.10 -		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
3.1 - Administrative and Corporate Support		-	-	-	-	-	-	-	-	-	-
3.2 -		-	-	-	-	-	-	-	-	-	-
3.3 -		-	-	-	-	-	-	-	-	-	-
3.4 -		-	-	-	-	-	-	-	-	-	-
3.5 -		-	-	-	-	-	-	-	-	-	-
3.6 -		-	-	-	-	-	-	-	-	-	-
3.7 -		-	-	-	-	-	-	-	-	-	-
3.8 -		-	-	-	-	-	-	-	-	-	-
3.9 -		-	-	-	-	-	-	-	-	-	-
3.10 -		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	-	-	-	-	-	-	-
4.1 - DIRECTOR COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
4.2 - Libraries and Archives		-	-	-	-	-	-	-	-	-	-
4.3 - Community Halls and Facilities		-	-	-	-	-	-	-	-	-	-
4.4 - Cemeteries, Funeral Parlours and Crematoriums		-	-	-	-	-	-	-	-	-	-
4.5 -		-	-	-	-	-	-	-	-	-	-
4.6 -		-	-	-	-	-	-	-	-	-	-
4.7 -		-	-	-	-	-	-	-	-	-	-
4.8 -		-	-	-	-	-	-	-	-	-	-
4.9 -		-	-	-	-	-	-	-	-	-	-
4.10 -		-	-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		-	-	-	-	-	-	-	-	-	-
5.1 - PARKS AND RECREATION		-	-	-	-	-	-	-	-	-	-
5.2 -		-	-	-	-	-	-	-	-	-	-
5.3 -		-	-	-	-	-	-	-	-	-	-
5.4 -		-	-	-	-	-	-	-	-	-	-
5.5 -		-	-	-	-	-	-	-	-	-	-
5.6 -		-	-	-	-	-	-	-	-	-	-
5.7 -		-	-	-	-	-	-	-	-	-	-
5.8 -		-	-	-	-	-	-	-	-	-	-
5.9 -		-	-	-	-	-	-	-	-	-	-
5.10 -		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	-	-	-	-	-	-	-	-	-
6.1 - Police Forces, Traffic and Street Parking Control		-	-	-	-	-	-	-	-	-	-
6.2 - Fire Fighting and Protection		-	-	-	-	-	-	-	-	-	-
6.3 -		-	-	-	-	-	-	-	-	-	-
6.4 -		-	-	-	-	-	-	-	-	-	-
6.5 -		-	-	-	-	-	-	-	-	-	-
6.6 -		-	-	-	-	-	-	-	-	-	-
6.7 -		-	-	-	-	-	-	-	-	-	-
6.8 -		-	-	-	-	-	-	-	-	-	-
6.9 -		-	-	-	-	-	-	-	-	-	-
6.10 -		-	-	-	-	-	-	-	-	-	-
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
7.1 - Housing		-	-	-	-	-	-	-	-	-	-
7.2 -		-	-	-	-	-	-	-	-	-	-
7.3 -		-	-	-	-	-	-	-	-	-	-
7.4 -		-	-	-	-	-	-	-	-	-	-
7.5 -		-	-	-	-	-	-	-	-	-	-
7.6 -		-	-	-	-	-	-	-	-	-	-
7.7 -		-	-	-	-	-	-	-	-	-	-
7.8 -		-	-	-	-	-	-	-	-	-	-
7.9 -		-	-	-	-	-	-	-	-	-	-
7.10 -		-	-	-	-	-	-	-	-	-	-

Vote 8 - Health Services	-	-	-	-	-	-	-	-	-	-	-
8.1 - Health Services	-	-	-	-	-	-	-	-	-	-	-
8.2 -	-	-	-	-	-	-	-	-	-	-	-
8.3 -	-	-	-	-	-	-	-	-	-	-	-
8.4 -	-	-	-	-	-	-	-	-	-	-	-
8.5 -	-	-	-	-	-	-	-	-	-	-	-
8.6 -	-	-	-	-	-	-	-	-	-	-	-
8.7 -	-	-	-	-	-	-	-	-	-	-	-
8.8 -	-	-	-	-	-	-	-	-	-	-	-
8.9 -	-	-	-	-	-	-	-	-	-	-	-
8.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Planning and Development	-	-	-	-	-	-	-	-	-	-	-
9.1 - Corporate Wide Strategic Planning (IDPs, LEDS)	-	-	-	-	-	-	-	-	-	-	-
9.2 -	-	-	-	-	-	-	-	-	-	-	-
9.3 -	-	-	-	-	-	-	-	-	-	-	-
9.4 -	-	-	-	-	-	-	-	-	-	-	-
9.5 -	-	-	-	-	-	-	-	-	-	-	-
9.6 -	-	-	-	-	-	-	-	-	-	-	-
9.7 -	-	-	-	-	-	-	-	-	-	-	-
9.8 -	-	-	-	-	-	-	-	-	-	-	-
9.9 -	-	-	-	-	-	-	-	-	-	-	-
9.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads Transport	-	-	-	-	-	-	-	-	-	-	-
10.1 - Roads	-	-	-	-	-	-	-	-	-	-	-
10.2 - Fleet Management	-	-	-	-	-	-	-	-	-	-	-
10.3 - Licensing and Regulation	-	-	-	-	-	-	-	-	-	-	-
10.4 - Agricultural	-	-	-	-	-	-	-	-	-	-	-
10.5 -	-	-	-	-	-	-	-	-	-	-	-
10.6 -	-	-	-	-	-	-	-	-	-	-	-
10.7 -	-	-	-	-	-	-	-	-	-	-	-
10.8 -	-	-	-	-	-	-	-	-	-	-	-
10.9 -	-	-	-	-	-	-	-	-	-	-	-
10.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity Services	-	-	-	-	-	-	-	-	-	-	-
11.1 - Electricity	-	-	-	-	-	-	-	-	-	-	-
11.2 -	-	-	-	-	-	-	-	-	-	-	-
11.3 -	-	-	-	-	-	-	-	-	-	-	-
11.4 -	-	-	-	-	-	-	-	-	-	-	-
11.5 -	-	-	-	-	-	-	-	-	-	-	-
11.6 -	-	-	-	-	-	-	-	-	-	-	-
11.7 -	-	-	-	-	-	-	-	-	-	-	-
11.8 -	-	-	-	-	-	-	-	-	-	-	-
11.9 -	-	-	-	-	-	-	-	-	-	-	-
11.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Water Services	-	-	-	-	-	-	-	-	-	-	-
12.1 - Water Distribution	-	-	-	-	-	-	-	-	-	-	-
12.2 -	-	-	-	-	-	-	-	-	-	-	-
12.3 -	-	-	-	-	-	-	-	-	-	-	-
12.4 -	-	-	-	-	-	-	-	-	-	-	-
12.5 -	-	-	-	-	-	-	-	-	-	-	-
12.6 -	-	-	-	-	-	-	-	-	-	-	-
12.7 -	-	-	-	-	-	-	-	-	-	-	-
12.8 -	-	-	-	-	-	-	-	-	-	-	-
12.9 -	-	-	-	-	-	-	-	-	-	-	-
12.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-
13.1 - Sewerage	-	-	-	-	-	-	-	-	-	-	-
13.2 -	-	-	-	-	-	-	-	-	-	-	-
13.3 -	-	-	-	-	-	-	-	-	-	-	-
13.4 -	-	-	-	-	-	-	-	-	-	-	-
13.5 -	-	-	-	-	-	-	-	-	-	-	-
13.6 -	-	-	-	-	-	-	-	-	-	-	-
13.7 -	-	-	-	-	-	-	-	-	-	-	-
13.8 -	-	-	-	-	-	-	-	-	-	-	-
13.9 -	-	-	-	-	-	-	-	-	-	-	-
13.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management	-	-	-	-	-	-	-	-	-	-	-
14.1 - Solid Waste Removal	-	-	-	-	-	-	-	-	-	-	-
14.2 -	-	-	-	-	-	-	-	-	-	-	-
14.3 -	-	-	-	-	-	-	-	-	-	-	-
14.4 -	-	-	-	-	-	-	-	-	-	-	-
14.5 -	-	-	-	-	-	-	-	-	-	-	-
14.6 -	-	-	-	-	-	-	-	-	-	-	-
14.7 -	-	-	-	-	-	-	-	-	-	-	-
14.8 -	-	-	-	-	-	-	-	-	-	-	-
14.9 -	-	-	-	-	-	-	-	-	-	-	-
14.10 -	-	-	-	-	-	-	-	-	-	-	-
Vote 15 -	-	-	-	-	-	-	-	-	-	-	-
15.1 -	-	-	-	-	-	-	-	-	-	-	-
15.2 -	-	-	-	-	-	-	-	-	-	-	-
15.3 -	-	-	-	-	-	-	-	-	-	-	-
15.4 -	-	-	-	-	-	-	-	-	-	-	-
15.5 -	-	-	-	-	-	-	-	-	-	-	-
15.6 -	-	-	-	-	-	-	-	-	-	-	-
15.7 -	-	-	-	-	-	-	-	-	-	-	-
15.8 -	-	-	-	-	-	-	-	-	-	-	-
15.9 -	-	-	-	-	-	-	-	-	-	-	-
15.10 -	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-

Capital expenditure - Municipal Vote
Single-year expenditure appropriation

Capital expenditure - Municipal Vote		2									
Single-year expenditure appropriation											
Vote 1 - Office of the Municipal Manager		-	54	709	2 700	5 250	5 250	-	5 600	5 852	6 115
1.1 - Mayor and Council		-	-	-	-	-	-	-	150	157	164
1.2 - Municipal Manager, Town Secretary and Chief Executive		-	(0)	-	200	200	200	-	200	209	218
1.3 - Information Technology		-	54	709	2 500	5 050	5 050	-	5 250	5 486	5 733
1.4 -		-	-	-	-	-	-	-	-	-	-
1.5 -		-	-	-	-	-	-	-	-	-	-
1.6 -		-	-	-	-	-	-	-	-	-	-
1.7 -		-	-	-	-	-	-	-	-	-	-
1.8 -		-	-	-	-	-	-	-	-	-	-
1.9 -		-	-	-	-	-	-	-	-	-	-
1.10 -		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		273	68	-	400	400	400	-	500	523	546
2.1 - Finance		273	68	-	400	400	400	-	500	523	546
2.2 - Property Services		-	-	-	-	-	-	-	-	-	-
2.3 - Supply Chain Management		-	-	-	-	-	-	-	-	-	-
2.4 - Budget and Treasury Office		-	-	-	-	-	-	-	-	-	-
2.5 -		-	-	-	-	-	-	-	-	-	-
2.6 -		-	-	-	-	-	-	-	-	-	-
2.7 -		-	-	-	-	-	-	-	-	-	-
2.8 -		-	-	-	-	-	-	-	-	-	-
2.9 -		-	-	-	-	-	-	-	-	-	-
2.10 -		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		371	28	324	100	250	250	-	450	470	491
3.1 - Administrative and Corporate Support		371	28	324	100	250	250	-	450	470	491
3.2 -		-	-	-	-	-	-	-	-	-	-
3.3 -		-	-	-	-	-	-	-	-	-	-
3.4 -		-	-	-	-	-	-	-	-	-	-
3.5 -		-	-	-	-	-	-	-	-	-	-
3.6 -		-	-	-	-	-	-	-	-	-	-
3.7 -		-	-	-	-	-	-	-	-	-	-
3.8 -		-	-	-	-	-	-	-	-	-	-
3.9 -		-	-	-	-	-	-	-	-	-	-
3.10 -		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community and Social Services		-	-	-	20	20	20	-	200	209	218
4.1 - DIRECTOR/COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
4.2 - Libraries and Archives		-	-	-	-	-	-	-	-	-	-
4.3 - Community Halls and Facilities		-	-	-	-	-	-	-	-	-	-
4.4 - Cemeteries, Funeral Parlours and Crematoriums		-	-	-	20	20	20	-	200	209	218
4.5 -		-	-	-	-	-	-	-	-	-	-
4.6 -		-	-	-	-	-	-	-	-	-	-
4.7 -		-	-	-	-	-	-	-	-	-	-
4.8 -		-	-	-	-	-	-	-	-	-	-
4.9 -		-	-	-	-	-	-	-	-	-	-
4.10 -		-	-	-	-	-	-	-	-	-	-
Vote 5 - Sport and Recreation		2 463	20	-	-	-	-	-	-	-	-
5.1 - PARKS AND RECREATION		2 463	20	-	-	-	-	-	-	-	-
5.2 -		-	-	-	-	-	-	-	-	-	-
5.3 -		-	-	-	-	-	-	-	-	-	-
5.4 -		-	-	-	-	-	-	-	-	-	-
5.5 -		-	-	-	-	-	-	-	-	-	-
5.6 -		-	-	-	-	-	-	-	-	-	-
5.7 -		-	-	-	-	-	-	-	-	-	-
5.8 -		-	-	-	-	-	-	-	-	-	-
5.9 -		-	-	-	-	-	-	-	-	-	-
5.10 -		-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety		-	25	-	-	80	80	-	550	575	601
6.1 - Police Forces, Traffic and Street Parking Control		-	-	-	-	-	-	-	250	261	273
6.2 - Fire Fighting and Protection		-	25	-	-	80	80	-	300	314	328
6.3 -		-	-	-	-	-	-	-	-	-	-
6.4 -		-	-	-	-	-	-	-	-	-	-
6.5 -		-	-	-	-	-	-	-	-	-	-
6.6 -		-	-	-	-	-	-	-	-	-	-
6.7 -		-	-	-	-	-	-	-	-	-	-
6.8 -		-	-	-	-	-	-	-	-	-	-
6.9 -		-	-	-	-	-	-	-	-	-	-
6.10 -		-	-	-	-	-	-	-	-	-	-
Vote 7 - Housing		-	-	-	-	-	-	-	-	-	-
7.1 - Housing		-	-	-	-	-	-	-	-	-	-
7.2 -		-	-	-	-	-	-	-	-	-	-
7.3 -		-	-	-	-	-	-	-	-	-	-
7.4 -		-	-	-	-	-	-	-	-	-	-
7.5 -		-	-	-	-	-	-	-	-	-	-
7.6 -		-	-	-	-	-	-	-	-	-	-
7.7 -		-	-	-	-	-	-	-	-	-	-
7.8 -		-	-	-	-	-	-	-	-	-	-
7.9 -		-	-	-	-	-	-	-	-	-	-
7.10 -		-	-	-	-	-	-	-	-	-	-
Vote 8 - Health Services		-	-	-	-	-	-	-	-	-	-
8.1 - Health Services		-	-	-	-	-	-	-	-	-	-
8.2 -		-	-	-	-	-	-	-	-	-	-
8.3 -		-	-	-	-	-	-	-	-	-	-
8.4 -		-	-	-	-	-	-	-	-	-	-
8.5 -		-	-	-	-	-	-	-	-	-	-
8.6 -		-	-	-	-	-	-	-	-	-	-
8.7 -		-	-	-	-	-	-	-	-	-	-
8.8 -		-	-	-	-	-	-	-	-	-	-
8.9 -		-	-	-	-	-	-	-	-	-	-
8.10 -		-	-	-	-	-	-	-	-	-	-

Vote 9 - Planning and Development	-	81	-	100	100	100	-	550	575	601
9.1 - Corporate Wide Strategic Planning (DPs, LEDs)	-	81	-	100	100	100	-	550	575	601
9.2 -	-	-	-	-	-	-	-	-	-	-
9.3 -	-	-	-	-	-	-	-	-	-	-
9.4 -	-	-	-	-	-	-	-	-	-	-
9.5 -	-	-	-	-	-	-	-	-	-	-
9.6 -	-	-	-	-	-	-	-	-	-	-
9.7 -	-	-	-	-	-	-	-	-	-	-
9.8 -	-	-	-	-	-	-	-	-	-	-
9.9 -	-	-	-	-	-	-	-	-	-	-
9.10 -	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads Transport	11 998	9 413	10 881	19 421	28 864	28 864	-	27 700	29 912	10 920
10.1 - Roads	11 900	7 332	10 881	14 421	20 864	20 864	-	17 700	19 462	-
10.2 - Fleet Management	98	2 081	-	5 000	8 000	8 000	-	10 000	10 450	10 920
10.3 - Licensing and Regulation	-	-	-	-	-	-	-	-	-	-
10.4 - Agricultural	-	-	-	-	-	-	-	-	-	-
10.5 -	-	-	-	-	-	-	-	-	-	-
10.6 -	-	-	-	-	-	-	-	-	-	-
10.7 -	-	-	-	-	-	-	-	-	-	-
10.8 -	-	-	-	-	-	-	-	-	-	-
10.9 -	-	-	-	-	-	-	-	-	-	-
10.10 -	-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity Services	975	5 018	29 396	6 500	18 409	18 409	-	13 000	13 585	14 196
11.1 - Electricity	975	5 018	29 396	6 500	18 409	18 409	-	13 000	13 585	14 196
11.2 -	-	-	-	-	-	-	-	-	-	-
11.3 -	-	-	-	-	-	-	-	-	-	-
11.4 -	-	-	-	-	-	-	-	-	-	-
11.5 -	-	-	-	-	-	-	-	-	-	-
11.6 -	-	-	-	-	-	-	-	-	-	-
11.7 -	-	-	-	-	-	-	-	-	-	-
11.8 -	-	-	-	-	-	-	-	-	-	-
11.9 -	-	-	-	-	-	-	-	-	-	-
11.10 -	-	-	-	-	-	-	-	-	-	-
Vote 12 - Water Services	1 260	19 525	23 889	31 499	26 200	26 200	-	3 500	5 462	2 364
12.1 - Water Distribution	1 260	19 525	23 889	31 499	26 200	26 200	-	3 500	5 462	2 364
12.2 -	-	-	-	-	-	-	-	-	-	-
12.3 -	-	-	-	-	-	-	-	-	-	-
12.4 -	-	-	-	-	-	-	-	-	-	-
12.5 -	-	-	-	-	-	-	-	-	-	-
12.6 -	-	-	-	-	-	-	-	-	-	-
12.7 -	-	-	-	-	-	-	-	-	-	-
12.8 -	-	-	-	-	-	-	-	-	-	-
12.9 -	-	-	-	-	-	-	-	-	-	-
12.10 -	-	-	-	-	-	-	-	-	-	-
Vote 13 - Waste Water Management	1 613	2 736	3 167	3 000	-	-	-	6 445	-	-
13.1 - Sewerage	1 613	2 736	3 167	3 000	-	-	-	6 445	-	-
13.2 -	-	-	-	-	-	-	-	-	-	-
13.3 -	-	-	-	-	-	-	-	-	-	-
13.4 -	-	-	-	-	-	-	-	-	-	-
13.5 -	-	-	-	-	-	-	-	-	-	-
13.6 -	-	-	-	-	-	-	-	-	-	-
13.7 -	-	-	-	-	-	-	-	-	-	-
13.8 -	-	-	-	-	-	-	-	-	-	-
13.9 -	-	-	-	-	-	-	-	-	-	-
13.10 -	-	-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management	1 791	1 080	127	2 000	1 999	1 999	-	5 650	10 814	3 966
14.1 - Solid Waste Removal	1 791	1 080	127	2 000	1 999	1 999	-	5 650	10 814	3 966
14.2 -	-	-	-	-	-	-	-	-	-	-
14.3 -	-	-	-	-	-	-	-	-	-	-
14.4 -	-	-	-	-	-	-	-	-	-	-
14.5 -	-	-	-	-	-	-	-	-	-	-
14.6 -	-	-	-	-	-	-	-	-	-	-
14.7 -	-	-	-	-	-	-	-	-	-	-
14.8 -	-	-	-	-	-	-	-	-	-	-
14.9 -	-	-	-	-	-	-	-	-	-	-
14.10 -	-	-	-	-	-	-	-	-	-	-
Vote 15 -	-	-	-	-	-	-	-	-	-	-
15.1 -	-	-	-	-	-	-	-	-	-	-
15.2 -	-	-	-	-	-	-	-	-	-	-
15.3 -	-	-	-	-	-	-	-	-	-	-
15.4 -	-	-	-	-	-	-	-	-	-	-
15.5 -	-	-	-	-	-	-	-	-	-	-
15.6 -	-	-	-	-	-	-	-	-	-	-
15.7 -	-	-	-	-	-	-	-	-	-	-
15.8 -	-	-	-	-	-	-	-	-	-	-
15.9 -	-	-	-	-	-	-	-	-	-	-
15.10 -	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	20 743	38 048	68 494	65 740	81 572	81 572	-	64 145	67 976	40 039
Total Capital Expenditure	20 743	38 048	68 494	65 740	81 572	81 572	-	64 145	67 976	40 039

MP311 Victor Khanye - Table A6 Budgeted Financial Position

Description		###	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
ASSETS												
Current assets												
Cash and cash equivalents			(17 577)	18 455	(15 706)	76 041	22 130	22 130	253 491	76 768	163 606	279 102
Trade and other receivables from exchange transactions		1	236 462	136 781	265 882	66 959	118 092	118 092	102 178	79 580	56 933	33 163
Receivables from non-exchange transactions		1	84 533	86 824	89 964	84 982	53 853	53 853	50 177	104 291	187 606	274 670
Current portion of non-current receivables			—	—	—	—	—	—	—	—	—	—
Inventory		2	3 300	11 422	(30 543)	(31 972)	(37 728)	(37 728)	8 556	2 875	2 875	2 875
VAT			211 085	287 674	377 839	—	—	—	434 805	129 257	126 650	126 650
Other current assets			0	(0)	(1 190)	—	—	—	(6 486)	—	—	—
Total current assets			517 803	541 155	686 246	196 010	156 347	156 347	842 781	394 870	537 670	716 459
Non current assets												
Investments			—	—	—	—	—	—	—	—	—	—
Investment property			67 657	87 640	89 163	68 123	68 123	68 123	88 433	90 782	89 170	87 486
Property, plant and equipment		3	958 287	895 258	960 381	927 495	944 740	944 740	975 826	999 305	1 015 209	1 000 833
Biological assets			—	—	—	—	—	—	—	—	—	—
Living and non-living resources			—	—	—	—	—	—	—	—	—	—
Heritage assets			1 075	1 075	1 075	1 075	1 075	1 075	1 075	1 122	1 122	1 122
Intangible assets			64	64	64	155	155	155	64	(1 840)	(3 833)	(5 915)
Trade and other receivables from exchange transactions			—	—	—	—	—	—	—	—	—	—
Non-current receivables from non-exchange transactions			—	—	—	—	—	—	—	—	—	—
Other non-current assets			—	—	—	—	—	—	—	—	—	—
Total non current assets			1 027 082	984 037	1 050 682	996 847	1 014 092	1 014 092	1 065 397	1 089 368	1 101 669	1 083 526
TOTAL ASSETS			1 544 885	1 525 191	1 736 927	1 192 857	1 170 439	1 170 439	1 908 178	1 484 238	1 639 338	1 799 985
LIABILITIES												
Current liabilities												
Bank overdraft			—	—	—	—	—	—	—	—	—	—
Financial liabilities			3 401	3 419	6 804	—	—	—	7 224	—	—	—
Consumer deposits			1 624	1 704	1 704	1 781	(8 865)	(8 865)	1 732	1 762	1 762	1 762
Trade and other payables from exchange transactions		4	853 948	1 194 484	1 430 287	57 000	61 381	61 381	1 752 921	1 470 979	1 493 042	1 516 098
Trade and other payables from non-exchange transactions		5	(0)	37 026	51 301	(86 622)	(86 622)	(86 622)	42 155	—	—	—
Provision			1 839	2 866	2 376	11 546	11 546	11 546	9 577	11 250	11 250	11 250
VAT			161 298	208 500	276 008	—	—	—	316 929	53 254	108 905	165 741
Other current liabilities			1 125	1 314	1 182	—	—	—	—	—	—	—
Total current liabilities			1 023 235	1 449 343	1 769 662	(16 295)	(22 560)	(22 560)	2 130 537	1 537 245	1 614 959	1 694 851
Non current liabilities												
Financial liabilities		6	(3 419)	(3 419)	1 349	7 528	7 528	7 528	(2 301)	5 140	5 140	5 140
Provision		7	18 419	18 804	16 505	676 000	676 000	676 000	18 905	13 635	16 248	18 978
Long term portion of trade payables			—	—	—	—	—	—	—	—	—	—
Other non-current liabilities			31 723	35 597	33 979	—	—	—	41 008	51 413	51 413	51 413
Total non current liabilities			46 724	50 983	51 833	683 528	683 528	683 528	57 612	70 188	72 801	75 531
TOTAL LIABILITIES			1 069 959	1 500 326	1 821 495	667 233	660 968	660 968	2 188 149	1 607 434	1 687 760	1 770 382
NET ASSETS			474 926	24 866	(84 568)	525 624	509 471	509 471	(279 971)	(123 195)	(48 422)	29 603
COMMUNITY WEALTH/EQUITY												
Accumulated surplus/(deficit)		8	474 926	24 817	(84 568)	525 624	509 471	509 471	(284 285)	(123 195)	(48 422)	29 603
Reserves and funds		9	—	—	—	—	—	—	—	—	—	—
Other			—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY		10	474 926	24 817	(84 568)	525 624	509 471	509 471	(284 285)	(123 195)	(48 422)	29 603

References

1. Detail breakdown in Table SA3 for Trade receivables from Exchange and Non-exchange transactions
2. Include completed low cost housing to be transferred to beneficiaries within 12 months detail provided in Table SA3
3. Include 'Construction work-in-progress' (disclosed separately in annual financial statements) detail in SA3
4. Detail breakdown in Table SA3.
5. Detail breakdown in Table SA3.
6. Detail breakdown in Table SA3.
7. Detail breakdown in Table SA3.
8. Detail breakdown in Table SA3.
9. Detail breakdown in Table SA3. Includes reserves to be funded by statute.
10. Net assets must balance with Total Community Wealth/Equity

0 49 0 - - - 4 314 - - -

MP311 Victor Khanye - Table A7 Budgeted Cash Flows

Description	###	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		80 229	83 276	89 893	137 878	208 071	208 071	208 071	248 970	260 134	271 842
Service charges		230 294	225 505	280 527	337 393	405 230	405 230	405 230	486 466	508 357	531 233
Other revenue		52 444	52 380	71 673	48 503	56 066	56 066	56 066	18 129	19 068	17 202
Transfers and Subsidies - Operational	1	4 911	110 483	88 228	152 985	112 002	112 002	112 002	142 155	148 304	154 974
Transfers and Subsidies - Capital	1	—	15 000	30 000	53 420	53 420	53 420	53 420	29 618	41 566	43 323
Interest		346	705	1 423	—	—	—	—	—	—	—
Dividends		—	—	—	—	—	—	—	—	—	—
Payments											
Suppliers and employees		(309 184)	(293 421)	(362 839)	(621 270)	(733 308)	(733 308)	(733 308)	(789 104)	(824 614)	(863 040)
Interest		—	—	—	—	(20 005)	(20 005)	(20 005)	—	—	—
Transfers and Subsidies	1	—	—	—	—	—	—	—	—	—	—
NET CASH FROM/(USED) OPERATING ACTIVITIES		59 041	193 927	198 904	108 909	81 476	81 476	81 476	136 234	152 815	155 535
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current receivables		—	—	—	—	—	—	—	—	—	—
Decrease (increase) in non-current investments		—	—	—	—	—	—	—	—	—	—
Payments											
Capital assets		(23 278)	(42 475)	(75 837)	(62 740)	(78 572)	(78 572)	(78 572)	(64 145)	(67 976)	(40 039)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(23 278)	(42 475)	(75 837)	(62 740)	(78 572)	(78 572)	(78 572)	(64 145)	(67 976)	(40 039)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		—	—	—	—	—	—	—	—	—	—
Borrowing long term/refinancing		—	—	—	—	—	—	—	—	—	—
Increase (decrease) in consumer deposits		—	—	—	—	—	—	—	—	—	—
Payments											
Repayment of borrowing		—	—	—	—	—	—	—	—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	—	—	—	—	—	—	—	—	—
NET INCREASE/ (DECREASE) IN CASH HELD		35 762	151 452	123 068	46 169	2 904	2 904	2 904	72 089	84 838	115 496
Cash/cash equivalents at the year begin:	2	3 767	5 605	4 870	30 000	30 000	30 000	30 000	6 679	78 768	163 606
Cash/cash equivalents at the year end:	2	39 530	157 057	127 937	76 169	32 904	32 904	32 904	78 768	163 606	279 102

MP311 Victor Khanye - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description		Ref	2021/22	2022/23	2023/24	Current Year 2024/25				2025/26 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/26
Cash and investments available												
	Cash/cash equivalents at the year end	1	39 530	157 057	127 937	76 169	32 904	32 904	32 904	78 768	163 606	279 102
	Other current investments > 90 days		(57 107)	(138 602)	(143 643)	(128)	(10 774)	(10 774)	220 587	—	(0)	(0)
	Non current investments	1	—	—	—	—	—	—	—	—	—	—
Cash and investments available:			(17 577)	18 455	(15 706)	76 041	22 130	22 130	253 491	78 768	163 606	279 102
Application of cash and investments												
	Unspent conditional transfers		(0)	37 026	51 301	(86 822)	(86 822)	(86 822)	42 155	—	—	—
	Unspent borrowing		—	—	—	—	—	—	—	—	—	—
	Statutory requirements	2	62 978	33 174	10 227	—	—	—	5 971	(76 002)	(17 744)	39 092
	Other working capital requirements	3	742 468	1 112 926	1 302 205	(4 453)	(14 582)	(14 582)	1 640 400	1 226 691	1 168 293	1 108 647
	Other provisions		2 964	4 210	3 558	11 546	11 546	11 546	(9 577)	11 250	11 250	11 250
	Long term investments committed	4	—	—	—	—	—	—	—	—	—	—
	Reserves to be backed by cash/investments	5	—	—	—	—	—	—	—	—	—	—
Total Application of cash and investments:			808 409	1 187 336	1 367 291	(79 539)	(89 658)	(89 658)	1 678 949	1 161 938	1 161 798	1 158 988
Surplus(shortfall) - Excluding Non-Current Creditors Trf to Debt Relief Benefits			(825 986)	(1 168 881)	(1 382 997)	155 580	111 788	111 788	(1 425 458)	(1 083 170)	(998 191)	(879 886)
Creditors transferred to Debt Relief - Non-Current portion			—	—	—	—	—	—	—	—	—	—
Surplus(shortfall) - Including Non-Current Creditors Trf to Debt Relief Benefits			(825 986)	(1 168 881)	(1 382 997)	155 580	111 788	111 788	(1 425 458)	(1 083 170)	(998 191)	(879 886)

References

1. Must reconcile with Budgeted Cash Flows
2. For example: VAT, taxation
3. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
4. For example: sinking fund requirements for borrowing
5. Council approval required for each reserve created and basis of cash backing of reserves - Total Reserves to be backed by cash/investments excl Valuation reserve

Other working capital requirements

Debtors	111 480	81 558	128 082	61 463	75 963	75 963	112 521	244 288	324 749	407 451
Creditors due	853 948	1 194 484	1 430 287	57 000	61 381	61 381	1 752 921	1 470 979	1 493 042	1 516 098
Total	(742 468)	(1 112 926)	(1 302 205)	4 463	14 582	14 582	(1 640 400)	(1 226 691)	(1 168 293)	(1 108 647)

Debtors collection assumptions

Balance outstanding - debtors	320 995	223 604	355 845	151 942	171 945	171 945	152 355	183 971	244 539	307 833
Estimate of debtors collection rate	34.7%	36.5%	36.0%	40.5%	44.2%	44.2%	73.9%	132.8%	132.8%	132.4%

Long term investments committed

Balance (Insert description; eg sinking fund)

Reserves to be backed by cash/investments

Housing Development Fund	—	—	—	—	—	—	—	—	—	—
Capital replacement	—	—	—	—	—	—	—	—	—	—
Self-insurance	—	—	—	—	—	—	—	—	—	—
Compensation for Occupational Injuries and Diseases	—	—	—	—	—	—	—	—	—	—
Employee Benefit reserve	—	—	—	—	—	—	—	—	—	—
Non-current Provisions reserve	—	—	—	—	—	—	—	—	—	—
Valuation roll reserve	—	—	—	—	—	—	—	—	—	—
Investment in associate account	—	—	—	—	—	—	—	—	—	—
Capitalisation	—	—	—	—	—	—	—	—	—	—
6	—	—	—	—	—	—	—	—	—	—

Note:

6. Above reserves do not include Revaluation reserve. Revaluation reserve not required to be cash backed

MP311 Victor Khanye - Table A9 Asset Management

Description	###	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	1 721	9 609	6 774	7 028	12 508	12 508	13 500	19 017	12 558
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		975	6 756	2 271	2 300	4 409	4 409	-	-	-
Water Supply Infrastructure		-	-	3 668	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	1 037	127	2 000	1 999	1 999	2 000	7 000	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		975	7 793	6 065	4 800	6 408	6 408	2 000	7 000	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	400	400	400	500	523	546
Furniture and Office Equipment		647	279	709	-	50	50	800	838	874
Machinery and Equipment		-	-	-	2 920	5 650	5 650	6 700	7 002	7 317
Transport Assets		98	1 837	-	-	-	-	3 500	3 558	3 622
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets	2	16 564	26 140	61 720	57 920	69 064	69 064	60 645	48 950	27 480
Roads Infrastructure		11 900	6 594	38 330	18 421	34 864	34 864	30 700	33 047	14 196
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		1 280	19 525	20 223	31 499	26 200	26 200	3 500	5 462	2 364
Sanitation Infrastructure		3 404	3 022	3 167	3 000	-	-	6 445	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		18 564	28 141	61 720	52 920	61 064	61 064	40 645	38 509	16 560
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	(1)	-	-	-	-	-	-	-
Transport Assets		-	-	-	5 000	8 000	8 000	10 000	10 450	10 920
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-

Total Upgrading of Existing Assets	6	2 450	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		2 450	-	-	-	-	-	-	-	-
Community Assets		2 450	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	20 743	38 048	68 494	65 740	81 572	81 572	64 145	67 976	40 036
Roads Infrastructure		11 900	5 584	38 330	18 421	34 884	34 884	30 700	33 047	14 186
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		975	6 756	2 271	2 500	4 409	4 409	-	-	-
Water Supply Infrastructure		1 280	19 526	23 889	31 499	26 200	26 200	3 600	5 462	2 364
Sanitation Infrastructure		3 404	3 022	3 167	3 000	-	-	6 445	-	-
Solid Waste Infrastructure		-	1 037	127	2 000	1 999	1 999	2 000	7 000	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		17 539	38 934	67 785	67 420	67 472	67 472	42 645	45 509	16 580
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		2 450	-	-	-	-	-	-	-	-
Community Assets		2 450	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	400	400	400	500	523	545
Furniture and Office Equipment		647	279	709	-	50	50	800	836	874
Machinery and Equipment		-	(1)	-	2 820	5 850	5 850	6 700	7 062	7 317
Transport Assets		96	1 837	-	5 000	8 000	8 000	13 500	14 108	14 742
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		20 743	38 048	68 494	65 740	81 572	81 572	64 145	67 976	40 036

ASSET REGISTER SUMMARY - PPE (WDV)	5	995 183	945 867	1 007 712	996 847	1 014 092	1 014 092	1 089 368	1 101 669	1 083 526
Roads Infrastructure		223 705	199 747	190 515	(8 058)	1 942	1 942	657 070	657 547	656 376
Storm water Infrastructure		(0)	(0)	(0)	-	-	-	-	-	-
Electrical Infrastructure		98 471	95 515	90 349	(6 749)	(6 749)	(6 749)	(7 046)	(14 410)	(22 105)
Water Supply Infrastructure		173 981	174 982	185 436	25 000	25 000	25 000	2 500	6 700	5 700
Sanitation Infrastructure		167 580	159 781	157 480	(8 464)	(8 464)	(8 464)	319 493	310 259	300 609
Solid Waste Infrastructure		14 337	14 652	9 946	(4 217)	(4 217)	(4 217)	(4 403)	(9 003)	(13 611)
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
Infrastructure		678 054	644 677	633 727	(2 489)	7 511	7 511	967 614	950 092	926 769
Community Assets		59 641	30 840	54 577	910 898	910 898	910 898	-	-	-
Heritage Assets		1 075	1 075	1 075	1 075	1 075	1 075	1 122	1 122	1 122
Investment properties		67 657	87 640	89 163	68 123	68 123	68 123	90 782	89 170	87 496
Other Assets		1 047	(3 078)	(656)	(4 172)	(4 172)	(4 172)	(4 356)	(8 907)	(13 664)
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Intangible Assets		64	64	64	155	155	155	(1 840)	(3 833)	(5 915)
Computer Equipment		1 716	503	830	2 500	5 000	5 000	5 000	10 225	15 685
Furniture and Office Equipment		1 902	2 121	2 507	(11 241)	(9 548)	(9 548)	(8 117)	(16 598)	(25 462)
Machinery and Equipment		1 374	2 098	1 417	-	-	-	-	-	-
Transport Assets		20 123	17 268	12 451	5 000	8 000	8 000	10 000	20 450	31 370
Land		162 531	162 660	212 528	26 999	27 051	27 051	29 163	59 948	66 134
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	995 183	945 867	1 007 712	996 847	1 014 092	1 014 092	1 089 368	1 101 669	1 083 526
EXPENDITURE OTHER ITEMS		(11 092)	36 008	75 077	78 498	103 441	103 441	84 507	88 310	92 283
Depreciation	7	(13 545)	14 764	29 000	52 446	51 033	51 033	53 279	55 676	58 182
Repairs and Maintenance by Asset Class	3	2 453	21 244	46 078	26 052	52 408	52 408	31 228	32 633	34 102
Roads Infrastructure		-	505	690	5 000	4 300	4 300	4 000	4 180	4 368
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	7 971	37 421	6 000	26 000	26 000	8 000	8 360	8 736
Water Supply Infrastructure		-	3 627	1 449	1 700	3 200	3 200	3 000	3 135	3 276
Sanitation Infrastructure		-	668	1 409	500	7 000	7 000	3 000	3 135	3 276
Solid Waste Infrastructure		-	997	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		2 453	-	258	2 060	3 376	3 376	3 778	3 948	4 126
Information and Communication Infrastructure		-	7 477	4 851	10 792	8 532	8 532	9 450	9 875	10 320
Infrastructure		2 453	21 244	46 078	26 052	52 408	52 408	31 228	32 633	34 102
Community Facilities		-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
Mature		-	-	-	-	-	-	-	-	-
Immature		-	-	-	-	-	-	-	-	-
Living Resources		-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS		(11 092)	36 008	75 077	78 498	103 441	103 441	84 507	88 310	92 283
Renewal and upgrading of Existing Assets as % of total capex		91.7%	74.0%	90.1%	88.1%	84.7%	84.7%	79.0%	72.0%	68.6%
Renewal and upgrading of Existing Assets as % of deprecn		-140.4%	190.6%	212.8%	110.4%	135.3%	135.3%	95.1%	87.9%	47.2%
R&M as a % of PPE		0.2%	2.2%	4.6%	2.6%	5.2%	5.2%	2.9%	3.0%	3.1%
Renewal and upgrading and R&M as a % of PPE		2.2%	5.2%	10.7%	6.4%	12.0%	12.0%	7.5%	7.4%	5.7%

MP311 Victor Khanye - Table A10 Basic service delivery measurement

Description	#66	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2024/25	Budget Year +1 2025/26	Budget Year +2 2027/28
Household service targets	1									
Water:										
Piped water inside dwelling		--	--	--	--	--	--	--	--	--
Piped water inside yard (but not in dwelling)		--	--	--	--	--	--	--	--	--
Using public tap (at least min. service level)	2	--	--	--	--	--	--	--	--	--
Other water supply (at least min. service level)	4	--	--	--	--	--	--	--	--	--
<i>Minimum Service Level and Above sub-total</i>										
Using public tap (< min. service level)	3	--	--	--	--	--	--	--	--	--
Other water supply (< min. service level)	4	--	--	--	--	--	--	--	--	--
No water supply		--	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>										
Total number of households	6	--	--	--	--	--	--	--	--	--
Sanitation/Sewerage:										
Flush toilet (connected to sewerage)		--	--	--	--	--	--	--	--	--
Flush toilet (with septic tank)		--	--	--	--	--	--	--	--	--
Chemical toilet		--	--	--	--	--	--	--	--	--
Pit toilet (ventilated)		--	--	--	--	--	--	--	--	--
Other toilet provisions (> min. service level)		--	--	--	--	--	--	--	--	--
<i>Minimum Service Level and Above sub-total</i>										
Bucket toilet		--	--	--	--	--	--	--	--	--
Other toilet provisions (< min. service level)		--	--	--	--	--	--	--	--	--
No toilet provisions		--	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>										
Total number of households	5	--	--	--	--	--	--	--	--	--
Energy:										
Electricity (at least min. service level)		--	--	--	--	--	--	--	--	--
Electricity - prepaid (min. service level)		--	--	--	--	--	--	--	--	--
<i>Minimum Service Level and Above sub-total</i>										
Electricity (< min. service level)		--	--	--	--	--	--	--	--	--
Electricity - prepaid (< min. service level)		--	--	--	--	--	--	--	--	--
Other energy sources		--	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>										
Total number of households	6	--	--	--	--	--	--	--	--	--
Refuse:										
Removed at least once a week		--	--	--	--	--	--	--	--	--
<i>Minimum Service Level and Above sub-total</i>										
Removed less frequently than once a week		--	--	--	--	--	--	--	--	--
Using communal refuse dump		--	--	--	--	--	--	--	--	--
Using own refuse dump		--	--	--	--	--	--	--	--	--
Other rubbish disposal		--	--	--	--	--	--	--	--	--
No rubbish disposal		--	--	--	--	--	--	--	--	--
<i>Below Minimum Service Level sub-total</i>										
Total number of households	8	--	--	--	--	--	--	--	--	--
Households receiving Free Basic Service	7									
Water (6 kilolitre per household per month)		--	--	--	--	--	--	--	--	--
Sanitation (free minimum level service)		--	--	--	--	--	--	--	--	--
Electricity/other energy (50kwh per household per month)		--	--	--	--	--	--	--	--	--
Refuse (removed at least once a week)		--	--	--	--	--	--	--	--	--
Informal Settlements										
Cost of Free Basic Services provided - Formal Settlements (R1000)										
Water (6 kilolitre per indigent household per month)		--	--	--	--	--	--	--	--	--
Sanitation (free sanitation services to indigent households)		--	--	--	--	--	--	--	--	--
Electricity/other energy (50kwh per indigent household per month)		--	--	--	--	--	--	--	--	--
Refuse (removed once a week for indigent households)		--	--	--	--	--	--	--	--	--
Cost of Free Basic Services provided - Informal Formal Settlements (R1000)										
Total cost of FBS provided	8	--	--	--	--	--	--	--	--	--
Highest level of free service provided per household										
Property rates (R value threshold)		--	--	--	--	--	--	--	--	--
Water (kilolitre per household per month)		--	--	--	--	--	--	--	--	--
Sanitation (kilolitre per household per month)		--	--	--	--	--	--	--	--	--
Sanitation (Rand per household per month)		--	--	--	--	--	--	--	--	--
Electricity (kwh per household per month)		--	--	--	--	--	--	--	--	--
Refuse (average times per week)		--	--	--	--	--	--	--	--	--
Revenue cost of subsidised services provided (R1000)	9									
Property rates (rental adjustment) (unpermissible values per section 17 of MPRA)		--	--	--	--	--	--	--	--	--
Property rates, exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		--	--	--	--	--	--	--	--	--
Water (in excess of 6 kilolitre per indigent household per month)		--	--	1 103	3 868	3 868	3 868	3 868	4 083	4 245
Sanitation (in excess of free sanitation service to indigent households)		--	9	--	--	--	--	--	--	--
Electricity/other energy (in excess of 50 kwh per indigent household per month)		23 002	--	1 783	3 868	3 868	3 868	4 134	4 320	4 514
Refuse (in excess of one removal a week for indigent households)		--	--	--	--	--	--	--	--	--
Municipal Housing - rental rebates		--	--	--	--	--	--	--	--	--
Housing - top structures subsidies		--	--	--	--	--	--	--	--	--
Other		--	--	--	--	--	--	--	--	--
Total revenue cost of subsidised services provided		23 002	9	2 886	7 736	7 736	7 736	8 002	8 383	8 760

VICTOR KHANYE LOCAL MUNICIPALITY



DETAILED CAPITAL PROGRAM

2025/2026

DRAFT BUDGET

ANNEXURE B

VICTOR KHANYE LOCAL MUNICIPALITY

CAPITAL PROGRAM

2025/2026 to 2027/2028

1	DETAILS	IDP Program	BUDGETED SPENDING - 2025/2026		TOTAL	FUNDING SOURCE	2026/2027	2027/2028
			PURCHASED / CONSTRUCTED					
			NEW	REPLACEMENT				
2	3	4	5	7	8	7	8	
	CAPITAL EXPENDITURE							
2	Budget & Treasury	RE / GGC	500 000	0	500 000		522 500	546 012
	Finance: Office furniture & equipment, Computer Equipment		500 000	0	500 000	Revenue	522 500	546 012
3	Office of the Municipal Manager	MM	200 000	0	200 000		209 000	218 405
	Office furniture & equipment		200 000	0	200 000	Revenue	209 000	218 405
4	Corporate Services	TSD	450 000	0	450 000		470 250	491 411
	Office furniture & equipment		450 000	0	450 000	Revenue	470 250	491 411
5	Community Parks (Including Nurseries)	CS	200 000	0	200 000		209 000	218 405
	Office furniture & equipment		200 000	0	200 000	Revenue	209 000	218 405
6	Environmental office	CS	150 000	0	150 000		156 750	163 803
	Office furniture & equipment		150 000	0	150 000	Revenue	156 750	163 803
7	Traffic unit	CS	250 000	0	250 000		261 250	273 006
	Office furniture & equipment		250 000	0	250 000	Revenue	261 250	273 006
8	Economic Development Unit	MM	150 000	0	150 000		156 750	163 803
	Office furniture & equipment		150 000	0	150 000	Revenue	156 750	163 803
9	Office of the Mayor	MM	150 000	0	150 000		156 750	163 803
	Office furniture & equipment		150 000	0	150 000	Revenue	156 750	163 803
10	Fire Fighter Unit	CS	300 000	0	300 000		313 500	327 607
	Office furniture & equipment		300 000	0	300 000	Revenue	313 500	327 607
11	Town Planning Building Unit	CS	400 000	0	400 000		418 000	436 810
	Office furniture & equipment		100 000	0	100 000	Revenue	118 000	136 810
	Aircon Acquisition		300 000		200 000	Revenue	300 000	300 000
7	Information Technology	IT	5 000 000		5 000 000		500 000	0
	Computer equipment		700 000		700 000	Revenue	500 000	0
	ICT equipment		4 300 000		4 300 000	Revenue	0	0
7	Fleet Management		10 000 000		10 000 000	Revenue	10 450 000	10 920 250
	Acquisition of Fleet		10 000 000		10 000 000	Revenue	10 450 000	10 920 250
8	Electrical Services	ES	13 000 000	0	13 000 000		13 585 000	14 196 325
	Transformer		13 000 000	0	13 000 000	Revenue	13 585 000	14 196 325
9	Road Transport	RSW	17 799 868	0	17 799 868		19 461 900	0
	Tarring of roads and stormwater drainage		16 217 618	0	16 217 618	MIG	17 865 700	0
	5% PMU		1 582 250		1 582 250	MIG	1 596 200	0
10	Water	WS	3 500 000	0	3 500 000		5 462 100	0
	Drilling, Refurbishment of boreholes in rural areas and provision of elevated steel tanks.		2 500 000	0	2 500 000	MIG	3 200 000	0
	Provision of security boundary fencing for all municipal infrastructure		1 000 000		1 000 000	MIG	2 262 100	0
11	Waste Management: Sanitation		6 445 132		6 445 132		0	0
	Development of portion 6 of the Farm Middleburg 231 ER: Sanitation Service		6 445 132		6 445 132	MIG	0	0
12	Solid Waste	SW	5 500 000	0	5 500 000		10 657 500	3 822 087
	Waste bins		3 500 000		3 500 000	Revenue	3 657 500	3 822 087
	Development of the 2nd phase of the landfill site in Delmas		2 000 000		2 000 000	MIG	7 000 000	0
	TOTAL CAPITAL EXPENDITURE		63 995 000	0	63 995 000		62 990 250	31 941 727
	SOURCE OF FINANCE							
	Contributions from revenue		34 250 000		34 250 000		31 065 250	31 941 727
	Municipal Infrastructure Grant (MIG)		29 745 000		29 745 000		31 924 000	0
	TOTAL CAPITAL FUNDING		63 995 000	0	63 995 000		62 990 250	31 941 727

NOTE: 1. Carry-over projects are only an estimation at this stage as the actual figure will be determined with greater accuracy closer to financial year-end.



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

INDIGENT POLICY

1 July 2025 – 30 June 2026

Policy Number:	Approved by Council:
Resolution No:	Review Date:

Contents

1. INTRODUCTION	4
2. PREAMBLE	4
3. PURPOSE	5
4. OBJECTIVE OF POLICY	5
5. PRINCIPLES OF THE POLICY	6
6. DEFINITIONS	7
7. LEGISLATIVE FRAMEWORK AND GUIDELINES	11
8. SCOPE OF APPLICATION	11
9. CHARACTERISTICS OF INDIGENTS	Error! Bookmark not defined.
10. CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT	12
10.1 REGISTERED HOUSEHOLD	Error! Bookmark not defined.
10.1.1 INDIGENT HOUSEHOLD	12
10.1.2 CHILD-HEADED HOUSEHOLD	12
10.1.3 EXCLUSIONS – REGISTERED HOUSEHOLDS	13
10.2 DEEMED INDIGENT HOUSEHOLD	13
10.3 EXCLUSIONS – DEEMED INDIGENT HOUSEHOLD	14
10.4 INDIGENT	14
11. EXTENT OF INDIGENT SUPPORT	15
11.1 REGISTERED INDIGENT HOUSEHOLD / PERSON	15
11.2 DEEMED INDIGENT HOUSEHOLD	Error! Bookmark not defined.
12. PERIOD OF RELIEF	16
13. ADMINISTRATION OF INDIGENT SUPPORT	16
14. CONTROL MEASURES FOR THE DISTRIBUTION OF INDIGENT SUPPORT	18
15. CORRECTIVE STEPS	Error! Bookmark not defined.
16. ACTION AGAINST MALPRACTICES TO MISREPRESENTATION OR MISUSE	18
17. EXITING THE PROGRAMME	20
18. RIGHT TO APPEAL	20
19. PROCEDURE FOR INDIGENT VERIFICATION	20
20. FACTORS TO BE CONSIDERED	22
21. REGISTRATION OF INDIGENTS	23
Visible perceptibility	23
Advantage of using perceptibility method	23

22	JOB CREATION	Error! Bookmark not defined.
23	ASSESSMENT OF INDIGENTS.....	24
24	SHORT TITLE.....	25

1. INTRODUCTION

The Indigent Support Policy is a legal imperative, a tool designed to ensure that persons and households classified as indigent have access to basic services as defined in the Constitution of the Republic of South Africa, Act No 108 of 1996. The policy is a result of continuous prevalence of indigence and poverty within communities. This policy therefore is a tool of intervention to alleviate the plight and to encourage indigent households to live within affordable consumption levels. The Indigent Support Policy is aimed at ensuring that the State fulfil its constitutional obligation contained in the Bill of Rights. This policy must be read in conjunction with the Credit Control Policy and applicable legislative frameworks.

2. PREAMBLE

WHEREAS Section 74 of the Local Government: Municipal Systems Act 2000 (Act No 32 of 2000), requires that the Council should, in formulating a Tariff Policy for the municipality, at least take into consideration the extent of subsidisation of tariffs for poor households.

WHEREAS Council needs to have an approved Indigent Support Policy.

WHEREAS such policy must provide procedures and guidelines for the subsidisation of basic services and tariff charges to its indigent households.

HEREAS the Council has committed itself to render a basic level of services necessary to ensure an acceptable and reasonable quality of life which takes into account health and environmental considerations.

NOW THEREFORE the Council of the Victor Khanye Local Municipality has adopted the Indigent Support Policy set out hereunder:

3. PURPOSE

- To ensure and maintain access to basic services and/or benefits for all identified and deserving poor households including emergency services rendered by the Victor Khanye Local Municipality;
- To improve monitoring systems, provide support and to strengthen capacity of the Victor Khanye Local Municipality to implement the policy;
- To ensure that subsidisation for indigent support is funded and allocated as per policy directives to the qualifying households;
- To effectively manage co-ordination between internal departments with regard to the policy implementation;
- To ensure the implementation of an exit strategy to support the increased mobility of the poor from the indigent register;
- To ensure that the Victor Khanye Local Municipality remains financially sustainable while meeting the needs of the indigents;
- To ascertain appropriate targeting options for the defined indigent households so as to ensure inclusiveness in the approach and application of the policy in an equitable manner;

4. OBJECTIVE OF POLICY

The objective of the Indigent Support Policy is to ensure:-

- a) the provision of basic services to indigent households in communities falling under the jurisdiction of the Victor Khanye Local Municipality in a sustainable manner, within the financial and administrative capacity of the Victor Khanye Local Municipality.
- b) the establishment of procedures and guidelines for the effective of subsidisation of basic service charges to such approved indigent households, within budgetary and Intergovernmental grant guidelines.

5. PRINCIPLES OF THE POLICY

Section 74 (2) (c) of the Municipal Systems Act, Act 32 of 2000 stipulates inter alia the following:-

"poor households must have access to at least basic services through:

- i. *tariffs that cover only operating and maintenance costs;*
- ii. *special tariffs or life line tariffs for low levels of use or consumption of services for basic levels of service; or*
- iii. *any other direct or indirect method of subsidisation of tariffs for poor households;"*

The following are the guiding principles for the formulation of an Indigent Support Policy:

- a) the Indigent Support Policy must be formulated in accordance with the Constitution of the Republic of South Africa, 1996, (Act No 108 of 1996 and other applicable legislation, amongst others, the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) which provides that everybody has a right to administrative justice that is lawful, reasonable and procedurally fair.
- b) relief must be provided by the Victor Khanye Local Municipality to registered residential consumers of services who are indigent.
- c) Council must, wherever possible, ensure that any relief is in accordance with the Constitution and is cost effective, sustainable, practical, fair, equitable and justifiable.
- d) the subsidising of minimum service levels should not result in the creation of a massive bureaucratic administration that would not be cost effective to implement.

- e) differentiation must be made between those households who cannot afford to pay for basic services and those who do not want to pay for these services.
- f) other municipal services in addition to free basic services should, where possible, be affordable and beneficial to the indigents.
- g) the relief should be valid for a maximum period of 36 months.
- h) the Council may review and amend the qualification criteria for indigent support.
- i) the joint gross income of all the household occupants will be taken into account in determining the validity of indigent support application.
- j) the indigent data-base shall be updated regularly.
- k) misuse of any support or grant or supply of invalid information will lead to punitive action by Victor Khanye Local Municipality against indigent support beneficiaries.
- l) the Victor Khanye Local Municipality reserve the right to verify new applications and existing approved indigents against any relevant external data source.
- m) the Council must/may use external services and/or references to verify the information provided by the applicants.

6. DEFINITIONS

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

“Authorised Officer” : means any official of the Council who has been authorised by the Council to administer, implement and enforce the provisions of this policy.

"By-law"	:	means a by-law adopted by the Council.
"Basic Services"	:	means the supply of the following basic services within the budgetary and legislative guidelines: Energy supply Water supply Sanitation services Refuse removal service
"Calendar days"	:	means all days in the month inclusive of Saturdays and Sundays.
"Child Headed Households"	:	is deemed to be minor dependants of registered owner or tenant of property where due to death of parent(s) or legal guardian who is also registered owner or tenant, minor child is responsible for management of households.
"Municipal Manager"	:	means the person appointed by the Council as the Municipal Manager of the Victor Khanye Local Municipality in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), and includes any person: (a) acting in such position, and (b) to whom the Municipal Manager has delegated a power, function or duty.
"Council"	:	Means - (a) the "Municipality" and vice versa; (b) the Council of the Victor Khanye Local Municipality established by

Provincial Notice No. 6768, as amended, exercising its legislative and executive authority through the municipality;

(c) its successor in title;

(d) a structure or person exercising a delegated power or carrying out an instruction, where any power in these by-laws has been delegated or sub-delegated, or an instruction given, as contemplated in section 59 of the Local Government Municipal Systems Act, 2000 (Act No 32 of 2000); or

(e) a service provider fulfilling a responsibility under these by-laws, assigned to it in terms of section 81(2) of the Act, or any other by-law, as the case may be.

“Deemed Indigent Household” : means individuals who live together in a single residential property and qualifies for indigent relief based on the use and value of property as determined in terms of general valuation roll.

“Dependant” : means a person under the age of 18 years who is financially dependent and resides permanently with the owner and/or tenant of property in a single residential property within the area of jurisdiction of Victor Khanye Local Municipality.

"Essential household services package"	:	means provision of water supply, sanitation, refuse removal, supply of basic energy.
"Household Income"	:	means any form of remuneration and/ or income as defined in the Sixth Schedule to the Income Tax Act, 58 of 1962 but excluding State Children Support grants.
"Illegal connection"	:	a connection to any system through which municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.
"Indigent Household"	:	means individuals who live together in a single residential property and collectively qualifies for indigent relief in terms of this policy.
"Indigent Person"	:	means a person lacking the basic necessities of life such as insufficient water, basic sanitation, refuse removal, health care, housing, environmental health, and supply of basic energy, food and clothing as defined in this policy.
"Municipality"	"	means the "Council" as defined above.
"Occupants"	:	means the owner and/or legal tenant of property and all individuals who live together in a single residential property.
"Pensioner"	:	means a person whom - (i) is at least than 60 years of age on date of application, provided that where couples are married in community of property and the property is registered in

both their names , the age of the eldest will be the qualifying factor;

(ii) is the registered owner of the property or registered as "Life right use" tenant in deeds office;

(iii) is the owner/occupant and account holder of the property concerned, which will consist of one dwelling only and no part thereof will be sub-leased;

7. LEGISLATIVE FRAMEWORK AND GUIDELINES

Constitution of the Republic of South Africa, Act No 108 of 1996.

Local Government Municipal Systems Act, Act No 32 of 2000.

Guidelines

- a) Framework for Municipal Indigent Policies: Towards a basket of services for the poor dated May 2007.
- b) Free Basic Strategy and guidelines prepared by the Department of Water Affairs and Forestry.
- c) Electricity Basic Support Tariff (free basic electricity) Policy prepared by the Department of Minerals and Energy.

8. SCOPE OF APPLICATION

The Indigent Support Policy shall be applicable within the area of jurisdiction of the Victor Khanye Local Municipality.

The Indigent Support Programme must be accessible to all qualifying indigent persons.

9. CRITERIA FOR QUALIFICATION FOR INDIGENT SUPPORT

10.1 REGISTRATION CRITERIA

10.1.1 INDIGENT HOUSEHOLD

A private residential household will be registered as indigent on the following conditions:-

1. The applicant agrees to the limited supply of electricity to a 20 ampere pre-paid installation. The first application to change ampere to the lower level will be free of charge
 2. The total gross monthly income of all members of the household must not exceed the amount of R5740.00 i.e. 2 Maxlmun pensioners grant and care giver subsidy
 3. account in respect of Basic Services and/or Assessment rates is held with Council in the name of the applicant
 4. applicant is a South African citizen;
 5. the property is used for residential purposes only; and
 6. The tenants and occupiers listed by the Applicant to be included on the Indigent Register, must be South African Citizens.
7. The Applicant must reside on the Relevant Qualifying Property.

10.1.2 CHILD-HEADED HOUSEHOLD

Child-headed households will be treated as special cases subject to the following conditions:

- a) the normal qualifying criteria for indigent support in respect of remaining members of household is complied with;
- b) the account of the deceased parents is closed;
- c) the oldest child signs the user agreement assisted by appointed legal guardian;
- d) the status of the household is reviewed in terms of this policy at least on three monthly bases.
- e) The Relevant Qualifying Property is not occupied by any member other than minor dependent children of the deceased owner/tenant or legal guardian.

10.1.3 EXCLUSIONS – REGISTERED HOUSEHOLDS

Indigent relief will NOT be granted where the applicant, household, occupants/ residents and/or dependants residing on the property, as the case may be, -

- a) receive significant benefits or regular monetary income that is above the indigent qualification threshold;
- b) where the applicant is not registered as consumer of services in the records of Council;
- c) where the applicant own/s more than one (1) property, registered individually or jointly;
- d) where the applicant rent/s or subleases his property or part thereof to any third party during the duration of the grant period; or
- e) applicant tampers or illegally connects or reconnects services prior to this application, until such time as the total costs, penalties, other fees, illegal consumption and any applicable tariffs and rates due to the Council have been paid in full.

10.2 DEEMED INDIGENT HOUSEHOLD

Households within the following categories of properties will be deemed to be indigent households:

- a) the property is used for residential purposes only as reflected in General Valuation roll;

- b) residential exclusion as per Property Rates Act 2004 (Act No 6 of 2004) is applicable to property;

10.3 EXCLUSIONS – DEEMED INDIGENT HOUSEHOLD

Indigent relief will be withdrawn where upon verification the deemed indigent household, including occupants/residents and/or dependants residing on the property, as the case may be, -

- a) receive significant benefits or regular monetary income that is above the indigent qualification threshold;
 - b) owner of property owns more than one (1) property, registered individually or jointly.
 - c) owner of property rent or sublease his property or part thereof to any third party.
 - d) deemed indigent household tampers or illegally connects or reconnects services.
 - e) business activities are being conducted on property.
 - f) properties registered in name of National, Provincial or Local Government.
 - g) owner of property applies to be excluded from deemed indigent relief.
 - h) Indigent is property is found to be listed on the cost schedule for clearances.
- Sale of the Property; All historically granted subsidies within the current financial year will be reversed and same demanded from the owner of the property, which is the seller.

10.4 INDIGENT

Indigent relief in respect of other services provided by Council, *excluding household free basic services and assessment rates grants*, will be granted to approved **indigent person** where:-

- a) applicant is a South African citizen;
- b) applicant is over the age of 18 years of age but includes financially dependent minors of applicant;

- c) applicant benefits or regular monetary income is less than two (2) monthly state pension grant, as amended by Minister of Finance from time to time.

11 EXTENT OF INDIGENT SUPPORT

11.1 REGISTERED INDIGENT HOUSEHOLD / PERSON

Indigent support will be given on a monthly basis, and the extent of the monthly support will be determined by the National Policy Guidelines and the Municipality's annual budgetary proposals and MTREF in respect of:

- Free basic water of 6kl per household per month;
- Free refuse collection;
- Free basic electricity or energy (depending on which service level is applicable) of 50 Kwh per household per month;
- Free basic sanitation; and
- Assessment rates in respect of residential property registered in name of qualifying indigent owner subject to the maximum valuation of 450sqm or as determined by the Municipality from time to time.
- The level of indigent support granted shall not exceed the actual monthly billing to the Account in respect of the Services.
- The relief will be subject to National Policy Guidelines and the Municipality's approved budgetary provisions.

The total amount due by a registered Indigent will be written off upon approval of the Application for indigent support.

- In terms of late submission of Indigent renewal, subsidies will only be granted from the date of the application. The indigent now approved by acknowledge any debt that may have accrued on his/her account prior to the application being made. In the case of tenants occupying Municipal Properties, all rental amounts due on approval of the Application for indigent will be written off.
- the accumulated debt in respect of deemed indigents be written off on date of qualification in terms of this policy and all debt incurred after the date of qualification will be due and payable.
- Annual write offs of arrear Indigent debtors may also be considered by the Municipality
- The recipient's monthly Account per service will be credited with the amount of indigent relief granted in terms of this Section of the Policy.
- A household may apply for the continuation of relief on expiry of the specified relief period subject to compliance with the applicable Policy qualification criteria.
- All indigent customers will be provided with prepaid water meters as and when the approved applicant utilizes water in excess of the free basic/as and when prepaid meters are available for installation by the municipality, the approved applicant will also receive a prepaid electricity meter

12 PERIOD OF RELIEF

Application based Indigent relief is granted for a reviewable period of 36 months which is determined by Council from time to time. The indigent register will be reviewed and updated after 36 months.

13 ADMINISTRATION OF INDIGENT SUPPORT

The Applicant must present his/her South African Identity Document at the point of Application, where after the following will be required:

An Applicant must complete an official Indigent Management Registration

Form, supported by the following documents:

- A valid South African Identity Document.
- An affidavit by the applicant mentioning each member and beneficiary in the household by name and Identity Number and declaring the status of income for each member and beneficiary.
- If unemployed, an affidavit stating since when the Applicant has been unemployed.
- A copy of three months' Bank statements where an Applicant is selfemployed.
- A copy of a salary advice where an Applicant is employed.
- A Letter of Authority where the Applicant is the Executor of a Deceased Estate.
- SASSA Confirmation Letter for applicants who are receiving any grants from the State.
- Proof of Confirmation of any receipt of Pension or Grant for Pensioners and Retrenchment Recipients of Grants.

- the Applicant is the registered owner, legal tenant or occupier of the Relevant Qualifying Property, the Property details must be supplied with a copy of the monthly Account Statement and/or Prepaid Meter Token

SECTION 89 – DECEASED ESTATES

Children who have lost both parents and who have inherited fixed property and subject to the inability of the estate to pay arrear Municipal Accounts can register as Indigents on the Indigent Register and the Municipality can write off the arrears on such fixed property due to the Municipality upon application and successful consideration of the application.

Documentation Required in Application of Indigent Status for this Specific Registration:

- Certified copy of the South African ID of Account Holder and all occupants of the Property.
- Certified copy of the Death Certificate.
- Proof of Income of the Applicant.
- SASSA Confirmation Letter.
- Proof of Grant-Main Applicant and Children claimed for.
- School Reports.
- Bank Statement of the Applicant if applicable
- Sworn Affidavit by the Applicant declaring any source of income.
- Latest Municipal Account Statement and latest prepaid electricity token if applicable.
- Copy of Rental Agreement if renting from Municipal Property.
- For all other private property rentals, Certified ID copy of the owner and written confirmation that the Applicant has permission to stay in the property at cost of the owner.

14 CONTROL MEASURES FOR THE DISTRIBUTION OF INDIGENT SUPPORT

- a) any resident of the municipality who is aware of malpractice may lodge an objection to the Council for granting such relief to such a person.
- b) the details of all applicants and their respective households must be submitted to the Council on a quarterly basis.
- c) restrict the level of utilization of consumption services for the people who cannot afford to pay.
- d) the consumption of metered services by indigent households must be lowered to increase affordability of service charges
- e) applicants who agree to the limited electricity supply of 20 ampere pre-paid installation, will be registered as indigents, but their average electricity consumption levels must be monitored.
- f) If average consumption levels exceed 300 units per month, taken over a period of three months, the department of Financial services will receive such information on which the relevant officials must physically investigate and evaluate the household for qualification in accordance with the other criteria of the policy
- g) Once a registered indigent consumer has been de-registered after evaluation, he/she will not again be considered as indigent for a period of 12 months from date of de-registration.

15 ACTION AGAINST MALPRACTICES TO MISREPRESENTATION OR MISUSE

Customers found to have misrepresented themselves in order to benefit from any of the Councils relief and / or benefit in terms of this policy, will be deemed to have committed an offence and remedial measures will be taken in a manner as

determined by the Council from time to time, and all relief and / or benefits that have been received will be reversed to account of customer from date of offence.

a) the Council may refer any misrepresentation to the committee, who must take such action as ordered by the Council, or any of the following steps deemed appropriate by the committee:

- i. request the resident to provide full proof of his/her banking account, receipt of income details as well as pension registration where applicable.
- ii. the details of the objector shall remain anonymous.
- iii. request a social worker's report on the household, and
- iv. institute criminal proceedings against the recipient.

b) if it is established that incorrect information was furnished in obtaining relief any of the following actions may be taken:-

- i. suspend or stop the relief immediately.
- ii. recover from the recipient the amount of relief furnished by debiting his/her account.
- iii. apply the credit control and debt collection procedures of the municipality.
- iv. institute criminal proceedings against the recipient.

Customers found to have tampered, or illegally connects or reconnects services, will be deemed to have committed an offence and remedial measures will be taken in a manner as determined by the Council from time to time, and all relief and/or benefits that have been received will be reversed to account of customer from date of offence and relief suspended or stopped immediately.

16 EXITING THE PROGRAMME

Upon the expiry of the 3 years period as contained in above the debtor may apply to be de-registered. The application for de-registration will be administrated by the Health and Social Development Department who will advise Finance accordingly where after the affected departments will be requested to restore the full services at the property.

All approved applicants will be captured in the indigent data base, from which all skills development and job creation programmes developed by the Victor Khanye Local Municipality will draw their intake from. Any department developing a measure or programme designed to target the poor will use this database as the source of their programme participants. This is designed to systematically assure that households qualifying for indigence are subject to the full range of interventions delivered through (or in collaboration with) the THE MUNICIPALITY, in accordance with the Growth and Development Strategy Pillars, one of which is poverty alleviation.

17 RIGHT TO APPEAL

An applicant who is the registered household owner living within the municipal jurisdiction and therefore feels aggrieved by a decision taken in respect of his/her application may lodge an appeal in terms of section 62 of the Municipal Systems, Act 32 of 2000.

18 PROCEDURE FOR INDIGENT VERIFICATION

- The applicant should be the owner and personally reside on the property.
- There will be three levels of evaluation that an application for indigence will undergo. The first level will be the visit and evaluation by the **Ward**

committee members, who will collect information and supply it to the ward councilor. The **ward councilor** will conduct a level 2 investigation, to verify the data collected by the Ward committee members. The Ward councilor will make a recommendation to BTO (budget and treasury office)

- **Verification – External Scans**

An external scan of Applicants recommended as suitable households for registration on the Indigent Register, must be concluded with UIF, SARS, Department of Social Development, Retail and Credit Bureau or any other relevant institution. The external scan must immediately follow the process after the information from the site visitation has been captured. The information of the external scan must then also be captured in the Indigent Management System. The external scan must be done separately from the site verification.

- The **Indigent applications** will be approved and authorized by a delegated personnel in the revenue division and the subsidization of the indigent take effect.
- The applicants for indigence registration should be issued with a reference number. These applications should be handled by the Budget and Treasury Directorate.
- The maximum period for completion of assessment of an applicant's support should be determined as 3 months from date of application.
- That an indigent registration be valid for up to three years where after subsidies / rebates must terminate and the balance in the indigent suspense account must be debited back to the account.
- The indigents should re-apply for assistance. No application should be transferred to the following year without completing the process again.
- Indigent customers are compelled to inform council about any change of their indigence status. The declaration that an applicant signs when applying for assistance will be used to impose penalties to those who misled Council. The penalties may include but not be limited to the discontinuation of services and the arrears to be paid in full.

- That application forms in respect of approved indigents be submitted to the Budget and Treasury directorate for capturing within 7 days after approval.
- That all outstanding balances up to the date of approval be placed into a special indigents suspense account.
- Council will determine from time to time, the maximum amount allowed per indigent as a subsidy or a rebate.
- The registered indigent consumers be held responsible for any consumption up and above the assistance indicated by the agreement which has been determined by council.
- Service be suspended to indigents who fail to pay for services consumed up and above the subsidized amount.
- No legal action, must be instituted against special indigent consumers.

19 FACTORS TO BE CONSIDERED

The council will determine the subsidy to be allocated to indigents as per guidelines provided in the National Legislation.

The following factors will be considered:-

- i. Cost of living of the area.
- ii. Economic development of the area
- iii. Minimum living level (MLL is the lowest sum possible on which a specific size of family can live in our existing social environment)
- iv. Population size etc.
- v. Council Budget (Income)

Also taking into consideration that IGTs should be targeted to subsidise the provision of local public services and is the responsibility of the municipality to ensure that eligible households have access to those life-line services.

Utmost care has to be taken that those consumers who can and are able to pay for services do not use indigence as an excuse for non-payment.

20 REGISTRATION OF INDIGENTS

This process should not create unfounded expectations from the communities. It is advised that the council first come up with evaluation criteria according to, which indigent people can be classified, like visible perceptibility.

Visible perceptibility

- Possible to identify indigents by visiting individual households
- Indigents in all cases live under precarious circumstances as the poorest of the poor.
- No one is working at that particular household

Advantage of using perceptibility method

- Minimum services can be supplied to cater for a determined number of households.
- If possible, prepaid water stand pipes can be installed
- Fixed minimum tariffs can be implemented i.e. life-line tariffs
- Upgraded informal areas be created, each area with its own applicable tariff

21 MONITORING AND EVALUATION

Council reserves the right to send officials or its agents to household consumers receiving relief from time to time for the purpose of conducting an on-site audit of the details supplied.

22 ASSESSMENT OF INDIGENTS

Look at different households:

- a. Size of households
- b. Number of employed individuals
- c. Number of users of services etc
- d. Number of self employed

24. EXIT STRATEGY

- a. It is imperative to provide subsidized services to indigent households, it is also important for the municipality and other sphere of Government to create economic opportunities to indigent households.
- b. The Indigent household may exit from the subsidy
 - If the household income exceed the threshold (R4 220.00)
 - If the household employment status changes
 - If the indigent passes away

SPECIFIC CIRCUMSTANCES FOR TERMINATION OF RELIEF AND REMOVAL FROM THE INDIGENT REGISTER

In addition to the General Circumstances for Termination of Relief and Removal from the Indigent Register as contained in this Policy, the following Specific Circumstances are applicable to this Section: The Indigent Relief will be terminated, and the Indigent Household removed from the Indigent Register when any of the following events occur:

- Death of the Account Holder;
- Sale of the Property
- When the Applicant vacates the Property;
- If it is established that the Applicant or any tenant or occupier has tampered with any of the utility connection of the Municipality;
- Refusal to accept any of the limitations on provision of basic services

- Indigent is property is found to be listed on the cost schedule for clearances
It is found that any information provided on the Application was falsified or untrue.

Voluntary exist by an Indigent Household or Indigent Person.

- Relief will be stopped with immediate effect if it is found that a registered Indigent has supplied information known to have been untrue in order to register on the Indigent Register to obtain relief in terms of this Policy. It will further be stopped if it is discovered that a registered Indigent failed to inform Victor Khanye Local Municipality of changes in his/her/their financial circumstances which would disqualify them from receiving assistance in terms of this Policy.
- Providing misleading information constitutes fraud and Victor Khanye Local Municipality may claim any financial benefits that have been granted, from the person who claimed to be Indigent and such an Applicant will not be eligible to apply for assistance for a period of 5 (five) years.
- In addition to having to repay the financial benefits, the person who claimed to be Indigent who has received the benefits, will be guilty of committing an act of fraud which is a criminal offence and criminal charges may be brought against such person/s

25. SHORT TITLE

This policy shall be called the Indigent Support Policy of the Victor Khanye Local Municipality.

26. CONTACT OF THE OFFICE RESPONSIBLE FOR THE INDIGENT POLICY:

Telephone no. 013 665 6000 Office No. 19 Revenue Section

E-mail: mandlam@victorkhanyelm.gov.za



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

TARIFF POLICY

July 2025 – June 2026

Policy Number:	Approved by Council:
Resolution No:	Review Date:

PREAMBLE

According to section 229(1) of the Constitution of South Africa 1996, A municipality may impose rates on property and surcharges on fees of services provided by or on behalf of the municipality.

Whereas the Municipal Systems Act no. 32 of 2000 Section 74(1) states that the Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation.

That in terms of Reconstruction and Development Programme, essential service must be made available to everybody in local government at the lowest possible tariffs required to sustain the necessary levels of service.

2. SCOPE OF APPLICATION

This policy will apply to tariffs charged by Victor Khanye Local Municipality for the services that are provided by the municipality.

3. PURPOSE

To have a policy which promote fairness and ensures that individuals are not discriminated against and all people are treated equally, according to section 74(1) Systems Act No.32 of 2000, .

For the purpose of administration and also for ease of understanding and acceptance by users, the tariff structures should be as simple as possible.

4. PROCEDURE

Whereas the Municipal Systems Act No.32 of 2000 Section 75(1) states that a Municipal Council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

This policy is enforceable after the by-law has been adopted by Council.

4.1 Categorization of Consumers

For the purpose of this policy and as fulfilment of a legislative requirement, the different categories of consumers, and the funding of the service provision will be discussed.

The payment for services is charged proportionally to consumption and unit cost, are indicated in the tariff structure.

Indigent consumers are charged differently as discussed in this policy, and the indigent and credit control policy.

There are different consumers of services within the Municipality.

The major categorization that has been used in this policy is:-

- a) **Domestic Consumers** – Natural Persons in residential households who pay tariffs as stipulated by Council, which includes capital, operational and maintenance, administration, replacement and interest charges.
Indigent Domestic Consumers - who receive basic services and pay life-line tariffs including operational and maintenance cost. These consumers are subsidised from the Equitable share receive from National Government.
- b) **Non-profit Community organisations** these organisations are mainly service orientated e.g. churches, hospitals, schools, police stations, sports clubs, and all other charitable organisations.

- c) **Commercial Consumers** – Businesses, Shops, Commercial houses, Hotels, Close Corporations, Companies, Statutory Bodies, Public utilities, Voluntary Associations or Trusts.
- d) **Industrial Consumers** – bulk service users

Tariffs are also differentiated according to the location of the property where the service is rendered.

	Determination of the Tariff (how)	Standard of Service
Eloff	As explained in the tariff categories in par.4.5	Same level of service
Sundra	As explained in the tariff categories in par.4.5	Same level of service
Delmas	As explained in the tariff categories in par.4.5	Same level of service
Botleng	As explained in the tariff categories in par.4.5	Same level of service

4.2 Special Tariff for Commercial/Industrial Users

New commercial/industrial consumers can negotiate from time to time special tariffs on an ad-hoc basis with council when establishing for the first time in Delmas.

4.3 Subsidisation of poor households

Council subsidise the municipal services accounts of residents (households) in terms of the Indigent Policy of Council.

Key: ES – Equitable share from National Government.

4.4 Cost of rendering services

The costs of rendering municipal services include the capital, operating, maintenance, administration cost.

Should there be a need for replacement it is dealt with separately according to the individual situation, but it is also reflected on individual tariffs.

Interest is charged on municipal accounts according to the Credit Control and Debt Collection Policy.

Provisions have been made for surcharges and they are discussed in this policy as per service consumed.

4.5 Individual Tariff determination

Subsidization of the standard service and the different tariffs as per service.

4.6 Tariff Category

This policy differentiates between different categories of tariffs.

The **Subsidised tariff** is a tariff which does not enable the municipality to recover all the costs incurred when rendering that specific service.

An **economic tariff**, the cost of rendering the service is recovered as far as it is possible.

Trading Service tariff enables the municipality to generate a small surplus.

Property Tax is a tariff, which generates an income for the municipality.

It is used to subsidize municipal services which are categorised as either economic or subsidised tariffs.

Subsidised Services	Economic Services	Trading Services	Property tax
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<ul style="list-style-type: none"> • Cemetery • Library • Fire brigade • Health 	<ul style="list-style-type: none"> • Sanitation and Refuse Removal • Sewer and plumbing • Posters and banners • All rentals (halls and machinery) • Furnishing of information • Building Regulations • Removal of trees • Licence and Traffic 	<ul style="list-style-type: none"> • Electricity • Water 	Property tax
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The determination of each tariff is individually discussed.

4.6.1 CEMETERY (Subsidised service)

- The cost of service is partially recovered from the tariffs
- Subsidized from property tax
- Differentiate between the following categories:
 - Residents and non-residents
 - Adults and children 12 years and younger
- Levied separately for:
 - Purchasing of grave
 - Opening and closing of grave
 - Deeper and wider of grave

4.5.2 LIBRARY (Subsidised service)

- Subsidised tariff from property tax
- Tariff differentiate between residents and non-residents
- Different penalty fees for late returning are applicable as per the following categories:
 - References literature
 - Other literature

4.5.3 RENTAL OF OLD AGE HOMES

- Subsidized tariff from property rates
- Differentiate between the following
 - One bed room flat
 - Two bed room flat

4.5.4 FIRE BRIGADE SERVICES (Subsidized service)

- Subsidized tariff from property tax
- Tariffs differentiate between:
 - Services rendered within municipal boundaries, and
 - Services rendered outside municipal boundaries
- The tariff is calculated according to the actual cost incurred with regards to:
 - Personnel cost
 - Vehicle and equipment cost
- Consumable items are levied at the cost of replacement plus the ruling consumer prize index (CPIX).
- Idle time is mainly subsidised from property tax.

4.5.5 PROPERTY TAX

- Property tax is levied as a cent in the rand per the valuation of the property.
- The basis for property tax is the valuation roll, which is compiled every four years.

- The valuation roll is available for inspection and appeals before implementation.
- Property tax differentiates according to zoning of the property as follows:
 - Residential properties
 - Business properties
 - Undeveloped properties
 - Agricultural holdings

Rebates are applicable on the following categories:

- Government properties
- Residential properties : Pensioners
- Agricultural holdings are taxed according to the property valuation. On certain categories, rebates are applicable during the first 3 years after implementation of tax on all properties for the first time. Property tax is phased in over a period of four years.
- Property tax is determined to finance the shortfall on the budget after all other tariffs are calculated.
- Budget growth is subjected to the approval of the Minister of Finance through National Treasury
- Full analysis of categories and applicable cent per rand is available in the Tariff Schedule

4.5.6 ELECTRICITY (Trading service)

- Tariffs are determined to such an effect that it generates a surplus, which is transferred to the rates account.
- Differentiate between the following tariffs:
 - Basic charge (availability charge) for all excluding indigent household.
 - Consumption charge as per actual consumption applicable on all consumers including businesses, industries, community organisations and households

Actual consumption is metered and meters are read on a monthly basis. Should it not be possible to read a meter due to reasons beyond Council's control, an average consumption is determined based on the actual consumption during the immediate past three months.

- Differentiate between the following consumers:
 - Domestic consumers, including private dwellings, boarding houses, flats, nursing homes and hospitals, educational institutions, charitable institution, churches and farms
 - The type of supply is limited to 70 Ampere single or three Phase.
 - Commercial, industrial and general consumers
 - This tariff is applicable to:
 - a) Shops
 - b) Commercial houses
 - c) Offices building
 - d) Hotels licensed in terms of the Liquor Act
 - e) Bars
 - f) Cafes, tearooms and restaurants
 - g) Combined shops and tearooms
 - h) Public halls
 - i) Clubs licensed in terms of the Liquor Act
 - j) Industrial or manufacturing concerned
 - k) Buildings or parts of buildings containing a number of the classifications under (a) to (j) and where the consumption in terms of this tariff is metered separately by Council.
 - l) All other consumers, excluding those specified under other items.

The following different types of supply are available:

- a) 100 Ampere current limit, 3 Phase

b) 70 Ampere current limit, single Phase

- A differentiated fix charge is applicable on the aforementioned types of supply.
- A discounted unit charge is applicable

A consumer shall apply, in writing, for the type of supply, which he/she requires in terms of the above. It remains the option of Council to classify such consumer according to his/her demand or consumption or both. The minimum period for which metering equipment for any type of supply will be installed, shall be 12 months. No change to the metering equipment in order to change to a different tariff shall be permitted within the first 12 months after taking into use any special tariff, except on payment of a charge to cover the cost of the change of the metering equipment. Such costs shall be determined by the Engineering Services.

- Bulk consumers

The Council reserves the right to connect consumers with an estimated load of more than 40 kVA as bulk consumers, either by means of low or high tension.

The tariffs differentiate between bulk consumers connected to low as well as high voltage. On both type of connections, a

fix charge, a demand charge per kVA and a consumption charge per unit are applicable.

- A reconnection charge is applicable in cases where a supply was discontinued, due to non-payment.

- Inclining block tariff structure is applicable with effect from 1 July 2012. As consumption increase, the applicable tariff will also increase. The following inclining blocks are applicable:
 - 0 to 50 kWh.
 - 51 to 350 kWh.
 - 351 to 600 kWh.
 - > 600 kWh.
- Council will consider through the approval of the tariff structure a suitable tariff for the usage of the first 50 kWh per household. Council may alternatively provide the first 50 kWh free of charge to residential properties registered as indigents on pre-paid meters as part of a free basic services.

4.5.7 HEALTH (Subsidized service)

- Actual cost is recovered from the tariffs for only the following health service:
 - Water and milk analysis
 - Pest control
 - All other health service are rendered free of charge
 - A health subsidy is received from the Provincial Government.
- The remaining cost is financed from the rates account

4.5.8 a. POSTER, ADVERTISEMENTS AND BANNERS

- Users pay for the display of posters
- The following categories are applicable
- Advertisement posters:
 - Meetings, elections, fundraising events
 - Erection of advertisement signs equal and smaller as 1m² (per 90 day or part thereof display)

- Erection of advertisement signs larger than 1m² (per 90 day or part thereof display)
- Display of "FOR SALE", "FOR RENT", "ON SHOW" SIGNS
- Banners
 - Banners across Victor Khanye Local Municipality's Streets will be allowed after paying the applicable tariff.

4.6.8 .b SEWERAGE SERVICES (Economic service)

- Tariffs are determined to such an effect that the total cost of the service is recovered from the tariffs.
- The following tariffs are applicable:
 - General sewerage services (opening of drains, etc)
 - Fixed tariff per connection to the property.
 - Availability charge according to the size of the land
 - Differentiate between residential and business consumers
 - Separate outflow tariff applicable on McCain
 - Vacuum services
 - Tariffs differentiate according to the location of property where the service is rendered. The actual cost is recovered through this tariffs

4.5.9 HALLS

- The following halls are available for the renting to the public:
 - F C Dumat Hall (Delmas)
 - Eloff Hall (Eloff)
 - Botleng Hall (Sinethemba)
 - Hall and Arts & Culture Centre (Botleng x3)
 - Simon Gondwe Sports centre

- A deposit and rental fee, payable in advance, are applicable.
- Crockery and cutlery is available for rental
 - Tariffs are determined to be market related

4.5.10 REFUSE REMOVAL

- A standard once a week refuse removal service is applicable. All rubbish must be placed in a plastic bag. The number of bags is not limited.
- Tariffs are determined to such an effect that the total cost of services are recovered
- Tariffs differentiate between:
 - Households, churches and flats
 - Businesses
- Other types of refuse removal services are also available:
 - Mass containers: emptied once per week
 - Mass containers: emptied twice per week
 - Mass containers: emptied three times per week
 - Business: 80 litres per day, emptied twice per week
 - Business: per extra removal
 - Once off: drop and remove
 - Removal of medical waste
- Cleaning of stands is done on a request basis
- Services are charged according to the size of the stand, as well as m³ rubbish removed.
- Annihilation
 - A fixed charged per animal
- Removal and disposal of carcasses

- Tariffs differentiate between carcasses equal or smaller than 600 kg and carcasses which exceeds 600kg
- The service is charged according to the actual cost incurred
- Dried sludge
 - A fixed tariff per 6m³ is applicable

4.5.11 IMPOUNDING OF VEHICLES

- The actual tow-in cost per vehicle as well as a tariff per vehicle per day or part thereof is applicable

4.5.12 HIRING OUT OF MACHINERY AND EQUIPMENT

- a) Equipment is rent at the market related tariff.
- b) The list of machinery and equipment is available for inspection.

4.5.13 FURNISHING OF INFORMATION AND ISSUING OF CERTIFICATES

- a) Tariffs are determined on a cost recovering basis plus 5%
- b) See list as per tariff schedule

4.5.14 WATER

- a) Tariffs are determined to such an effect that a surplus realises from the delivery thereof
- b) Water is provided at different tariffs according to the source thereof:
 - Rand Water Board (Sundra and Eloff townships)
 - Municipal Bore Holes (Delmas and Botleng townships)

c) The following tariff structure is applicable:

- Basic charge (available charge) according to the utilization of the stand. The tariff differentiates between vacant stands, and occupied stands.
- Consumption tariff :
 - Residential
 - The first 6kl is charged at a rate as determined by council (excluding indigent households and low cost housing)
 - The following step tariff structure is applicable:
 - ✓ 0 – 6kl (cost recovery)
 - ✓ 7 – 26 kl (cost recovery)
 - ✓ 27kl onwards (surplus generating)
 - Business/Industrial
 - A fixed business tariff is applicable. No step tariff structure. The consumption tariff differentiated according to the source of supply. Be it either Rand Water or from a municipal bore hole.

(d) Consumption is charge as per actual consumption applicable on all consumers including businesses, industries, community organizations and households Actual consumption is metered and meters are read on a monthly basis. Should it not be possible to read a meter due to reasons beyond Council's control, an average consumption is determined based on the actual consumption during the immediate past three months.

(a) A once off connection fee as well as a termination fee is applicable.

(f) A reconnection charge is applicable in cases where a supply was discontinued, due to non-payment.

(g) A standard 6 kl water will be provided free of charge to indigent households as a free basic service.

(h) A flat rate of 10 kl will be charge to household where there is no in water meter connection as well as properties where meter readings are impossible to obtain.

4.5.15 STANDARD BUILDING REGULATIONS

Tariffs are determined according to market trends and actual cost involved.
See the tariff schedule for the descriptions and nature of tariffs applicable

4.5.16 STREET PROJECTIONS

Tariffs are determined according to market trends, actual cost involved and in accordance with the Act on National Building Regulations and Building Standards.

See the tariff schedule for the descriptions and nature of tariffs applicable.

4.5.17 REMOVAL OF TREES

(a) A fee is payable in respect of the application to remove a tree, situated within a street reserve, public open space or other Council's property.

(b) Trees are not removed from private property

(c) A fine is payable in a case where a tree has been killed with a chemical remedy or any other way on Council's property without prior approval from Council.

4.5.18 ISSUING OF BUSINESS LICENCES

In terms of Regulation 8, business licences are issued to categories of businesses as listed in the attached tariff schedule

4.5.19. Flat Rate

Replacing the monthly levied tariffs for property tax, sewerage and refuse removal as per monthly billing, a flat rate as determined from time to time by council is applicable on certain households in historically disadvantaged areas namely in wards 1.2.3.4 and 5, with a stand size of 450sqm and less and/or an RDP

All unmetered residential properties must be charged 10kl of water.

4.5.20. TRAFFIC SERVICES

The following tariffs are levied:

- Traffic control during rallies or any other activity excluding funerals.
- Closing of streets on public request
- Tariffs are based on actual cost involved – Personnel, vehicle and equipment costs.
- Consumable items are charged separately at replacement cost plus consumer prize index.

ANNEXURE: TARIFF STRUCTURE

Attached to this policy is the tariff structure as determined by the council. It should be noted that the tariffs will change from time to time, thus this section does not form part of the policy, but is an annexure.



VICTOR KHANYE LOCAL MUNICIPALITY

Tariff By-law

1. Preamble

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

AND WHEREAS section 75A of the Municipal Systems Act authorises a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality; and recover collection charges and interest on any outstanding amount.

AND WHEREAS section 74(1) of the Municipal Systems Act requires a municipality to adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality or on behalf of the municipality which complies with the provision of the Municipal Systems Act, Municipal Finance Management Act and any other applicable legislation.

AND WHEREAS section 75 of the Municipal Systems Act requires a municipality to adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

AND WHEREAS by-law adopted in terms of the said section 75 of Municipal Systems Act may differentiate between different categories of users, debtors, service providers, services, service standards and geographic areas as long as such differentiation does not amount to unfair discrimination.

NOW THEREFORE the Municipal Council of the municipality in terms of section 156 of the Constitution of the Republic of South Africa read with section 11 of the Municipal Systems Act hereby makes and enacts the following By-law:

2. Definitions

“Constitution” means the Constitution of the Republic of South Africa

“Council” means Municipal Council of Victor Khanye Local Municipality

“Credit Control and Debt Collection By-law and Policy” means Credit Control and Debt Collection Policy and By-law of Victor Khanye Local Municipality

“Municipal Council” means Municipal Council of Victor Khanye Local Municipality

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

“Municipal Property Rates Act” means Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004)

“Municipal Systems Act” means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended

“Municipality” means Victor Khanye Local Municipality

“Rate” means property rate in terms of Municipal Property Rates Act

“Tariff” means fees, charges and surges on tariffs levied by the municipality in respect of any function or service provided by the municipality or on behalf of the municipality, but excludes levying of property rates in terms of Municipal Property Rates Act

3. Objects

- 3.1 The object of this by-law is to give effect to the implementation and enforcement of the Tariff policy as contemplated in section 74(1) of the Municipal Systems Act.
- 3.2 Further, to give effect to the Credit Control and Debt Collection Policy and/or By-law of the municipality.

4. Adoption and Implementation of Tariff Policy

- 4.1 The municipality shall adopt and implement tariff policy on the levying of fees for municipal services provided by the municipality or on behalf of the municipality which complies with the provisions of the Municipal Systems Act read together with Municipal Finance Management Act and any other applicable legislation.
- 4.2 The tariff policy adopted in terms of 4.1 hereof shall reviewed annually as part of the Annual Budget Process; and be amended accordingly, if need be.
- 4.3 The municipality shall not impose tariffs other than in terms of a valid tariff policy

5. Tariff Policy

- 5.1 The tariff policy shall apply to all tariffs imposed by the municipality.
- 5.2 The tariff policy shall reflect the principles referred to in:
 - (a) Section 74(1) of the Municipal Systems
 - (b) Section 97 of the same Act
 - (c) section 4(2) of the same Act
- 5.3 The tariff policy shall specify the basis of differentiation, if any, for tariff purposes, between different categories of users, debtors, service providers, services, service standards and geographic areas as long as such differentiation does not amount to unfair discrimination.
- 5.4 The policy shall include such further enforcement mechanism, if any, as the municipality may wish to impose in addition to those contained in the Credit Control and Debt Collection Policy and/or By-law

6. Enforcement of Tariff Policy

The tariff policy shall be enforced through Credit Control and Debt Collection By-law and/or Policy; and any further enforcement mechanisms set out in other relevant and applicable legislation or Policy of the municipality

7. Repeal of previous by-laws

This By-law hereby repeals all previous by-laws on Tariff of the municipality hitherto the promulgation of this by-law

8. Short Title and Commencement

This By-law shall be called Tariff By-law, 2017 and takes effect on the date of the publication hereof in the provincial gazette or as otherwise indicated in the Notice hereof



Victor

Khanye Local

Municipality

Credit Control and Debt Collection By-law

Notice No.

Date.....

1.Preamble

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

AND WHEREAS section 4 (1) (c) of the Municipal Systems Act provides that a municipality has a right to finance its affairs by charging fees for services, imposing surcharges on fees, rates on property and, subject to national legislation, other taxes, levies and duties.

AND WHEREAS section 5 (1) (g) provides that the members of the community have a right to have access to municipal services which the municipality provides; section 5 (2) (b) places a duty on the members of the community to pay promptly for services fees, surcharges on fees and other taxes, levies and duties imposed by the municipality.

AND WHEREAS section 95 of the Municipal Systems Act provides for the municipality must, within its financial and administrative capacity, establish a total responsive Customer Relations Management System to cater for:

- Positive and reciprocal relationship with the Rates Payers and Users of municipal services who are liable for payment thereof.
- Mechanism for Rate Payers and Users of municipal services to give a feedback on the quality.
- Informing the Users of services of the costs of services, the reasons for payment for services and the utilisation of the money raised from services.
- Measurement and accurate/verifiable quantification of consumption of services.
- Regular and accurate accounts to Rate Payers/Users of services, showing the basis of the calculation of the due to municipality.
- Accessible pay points and other mechanism for settling accounts including pre-payments for services.
- Query and Complaints management and procedure thereof for prompt response and corrective action on one hand and monitoring thereof on the other

AND WHEREAS section 96 of the Municipal Systems Act and section 62 (1) (f) of Municipal finance Management Act read together with section 21 (2) of Water Services Act, 1997, place an obligation on the municipality to collect all money due and payable to the municipality; and, for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with rates and tariff policies and compliant with the Act.

AND WHEREAS section 100 of the Municipal Systems Act places obligation on the Municipal Manager or the Service Provider to implement and enforce the Municipality's Credit Control Policy and the By-law enacted in terms of section 98 of the Municipal Systems Act.

AND WHEREAS section 97 of the Municipal Systems Act requires that the said policy must provide for the:

- Credit control procedure and mechanisms
- Debt collection procedure and mechanisms
- Provision for the indigent debtors which is consistent with the rate and tariff policies and national policy on indigents
- Interest on arrears, where appropriate
- Extension of time for the payment of accounts

- Termination of services or restriction of services when the payments are in arrears
- Illegal consumption of services and damage to municipal infrastructure
- The credit control and debt collection policy may differentiate between different categories of ratepayers, users, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination

AND WHEREAS section 102 of the Municipal Systems Act permits the municipality to consolidate the accounts of a debtor liable for payment to the municipality; credit payment from such debtor against any of the debtor's accounts; and implement any of the credit control and debt collection measures provided for in the Act in respect of any of the debtor's accounts which remains in arrears; subject to subsection 2 of the said section.

AND WHEREAS section 62 of the Municipal Systems Act, makes ample provisions for consumers or debtors to appeal decisions or actions of municipal officials in instances of disagreement with such decisions or actions.

AND WHEREAS section 98 of the Municipal Systems Act requires the municipality to adopt a By-law to give effect to the municipality's credit control and debt collection policy including its implementation and enforcement.

NOW THEREFORE the Council of the municipality in terms of section 156 of the Constitution of the Republic of South Africa read together with section 11 of the Municipal Systems Act hereby makes and enacts the following By-law:

Scope and area of application

This policy applies to all corporate, private residents and customers of the municipality

throughout the area of the Victor Khanye Local Municipality (VKLM).

2. Definitions

Account:- Any account rendered for municipal taxes, services and other charges. This includes charges raised as a result of damages to Municipal property.
“Act” means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended

Arrangement:- Means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section i(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act

Arrears :- Any amount due, owing payable in respect of municipal services not paid by due date.

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

“Constitution” means the Constitution of the Republic of South Africa

“Council” The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Rand West City Local Municipality established by Provincial Notice 184 of 2000, as amended, exercising its legislative and executive authority through its Municipal Council; or
(b) its successor in title; or
(c) a structure or person 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 Local Government: Municipal Systems Act,

2000 (Act No. 32 of 2000); or a service provider fulfilling a responsibility under this Policy,
assigned to it in terms of section 81(2) of the Local Government: Municipal Systems Act,
or any other law, as the case may be;
"Councillor" means a sitting Councillor of Municipality
"Credit Control" All the functions relating to the collection of monies owed by ratepayers
and the users of municipal services.

Credit Control:-

Means all the functions relating to the collection of monies owed by ratepayers
and the users of municipal services.

"Credit Control and Debt Collection By-law and Policy" means Credit Control and Debt Collection Policy and By-law of the Municipality

"customer" Any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

Debtors: -A person who owes the municipality money for services consumed and to whom an account was rendered.

Debtor's socio-economic status: -It is the situation within which a debtor is perceived to be living in, which will assist in assessing how much income does the debtor generate thus how much can the debtor be able to pay for arrears.

Debt Collectors: -Means an external person or entity appointed by the Municipality to collect monies due and payable to the Municipality, subject to the conditions contained herein.

"defaulter" Any Person who owing the Council arrear monies in respect of rates and / or service charges;

Employer: - Means an employer as defined in paragraph 1 of the seventh schedule of the Income tax act, act no 58 of 1962;

Illegal tempering: - It is the unauthorized handling of municipal infrastructural assets, with the intention to distort information that can be accessed from such machinery or

with the intention to consume services in a fraudulent manner.

Indigent: - A person who is needy and furthermore who generates no income or generates

income which is so minimal that he can't make a worthwhile contribution towards the payment of municipal services.

"Interest" A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;

"municipal account" An account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

"Municipal Equipment" means any part of the reticulation supply system, water meter, electricity meter, water pre-paid meter, electricity pre-paid meter or water smart meter or electricity smart meter

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

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

"municipal services" Those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

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

"Municipality" means Victor Khanye Local Municipality

"Official" means employee of the municipality or/and employee of the Service Provider of the Municipality

"occupier" Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

"owner" –The person in whom from time to time is vested the legal title to premises;

In a case where the person in whom the legal title is vested is insolvent or dead, or is under

any form of legal disability whatsoever, the person in whom the administration of and control

of such premises is vested as curator, trustee, executor, administrator, judicial manager,

liquidator or other legal representative;

In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;

In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;

In relation to A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act

1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or

A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;

Any legal person including but not limited to-

A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;

Any department of State;

Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;

Any Embassy or other foreign entity;

"premises" Includes any piece of land, the external surface boundaries of which are delineated on A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); or

A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

"Policy" means Credit Control and Debt Collection Policy

"Rate" means property rate in terms of Municipal Property Rates Act

"Tariff" means fees, charges and surcharges on tariffs levied by the municipality in respect of any function or service provided by the municipality or on behalf of the municipality, but excludes levying of property rates in terms of Municipal Property Rates Act

Water Services Act means Water Services Act, 1997 (Act no. 108 of 1997) as amended

3. Interpretation of the By-law

This is an English version of this By-law. In the event of a conflict of interpretation between the English version and another translated version, the English version prevails over the other

4. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 4.1. Ensure that all monies due and payable to the municipality are collected;
- 4.2 Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- 4.3 Provides for indigents in a way that is consistent with rates and tariff policies and any national policy on indigents subject to the indigent Policy of the municipality.
- 4.4 Set realistic targets consistent with generally recognized accounting practices and collection ratios and the estimates of income set in the budget less an acceptable provision for bad debts;
- 4.5 Provide for the interest charge on arrears, where appropriate; and provide for extension of time for payment of an account;
- 4.6 Provide for disconnection of services or the restriction of the provision of services when payment is in arrears; and also, provide for matters relating to unauthorized consumption of services, theft and damage; Victor Khanye Local Municipality would like to give priority to the basic needs of the municipality, promote the development of the local community, ensure that all members of the municipality have access to at least the minimum level of basic municipal service, which are equitable, accessible, and are provided in an economically & environmentally sustainable manner. This policy aims to stimulate and maintain cost recovery measures in the provision of services so that the level, standard and quality of municipal services can be reviewed and improved over a period of time.

4. Adoption and Implementation of Credit Control and Debt Collection Policy

- a. The municipality shall in terms of section 96 of the Municipal Systems Act, adopt, maintain and implement Credit Control and Debt Collection Policy for the purpose of collecting all money due and payable to the municipality
- b. The Credit Control and Debt Collection Policy adopted in terms of sub-paragraph 5.1 hereof shall be reviewed

annually as part of the Annual Budget Process of the municipality, for either confirmation and reiteration or amendment; which reiteration or amendment shall have the force and effect as contemplated in section 96 of the Municipal Systems Act.

5. Enforcement

This By-law shall be enforced through:

- a. The Credit Control and Debt Collection Policy of the municipality adopted in terms of paragraph 5 hereof and;
- b. The Property Rates and Tariff Policies of the municipality, including the By-laws thereof.

6. Offences and penalties

Any person who:

- (a) Contravenes or fails to comply with the provisions of this By-law or the Policy;
- (b) Fails to comply with a notice served in terms of this By-law or the Policy;
- (c) Tampers with any municipal equipment or breaks any seal on a meter ;
- (d) Uses or consumes municipal service(s) unlawfully;
- (e) Interferes unlawfully with municipal equipment or the supply system of municipal service(s) in one way or another; or
- (f) Obstruct or hinders any official or councillor of the municipality in the execution of her/his duties under this By-law or the Policy, is guilty of an offence and liable on conviction to a penalty.

7. Repeal

This By-law hereby repeals all previous by-laws on Credit Control and Debt Collection of the municipality hitherto the promulgation of this by-law

8. Short title

This By-law shall be called Credit Control and Debt Collection By-law, and takes effect on the date of the publication hereof in the provincial gazette or as otherwise indicated in the Notice hereof



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

PROVISION FOR DOUBTFUL DEBT AND DEBT WRITE-OFF POLICY

1 July 2025 – 30 June 2026

Policy Number:	Approved by Council:
Resolution No:	Review Date:

Contents

1.	APPLICATION AND SCOPE	3
2.	OBJECTIVES OF THE POLICY	3
3.	INTRODUCTION.....	3
5.	IMPAIRMENT OF DEBTORS	5
	CONSUMER DEBTORS	6
5.1	6
5.2	SUNDRY DEPOSITS	7
5.3	SUNDRY DEBTORS	7
7	WRITE OFF OF DOUBTFUL DEBTORS.....	9
7.1	AMOUNTS EQUAL TO OR LOWER THAN AMOUNTS DELEGATED TO THE CHIEF FINANCIAL OFFICER BY COUNCIL FROM TIME TO TIME	10
7.2	AMOUNTS EXCEEDING THE CFO'S DELEGATED AUTHORITY	10
7.3	APPLICATION OF PRESCRIPTION ACT	12
7.4	SPECIFIC DEBT WRITE-OFF INCENTIVES	12
7.5	OTHER WRITE OFFS	13

1. APPLICATION AND SCOPE

The Provision for Doubtful Debt and Debt Write-Off Policy is applicable to the Victor Khanye Local Municipality.

NOW THEREFORE the Council of the Victor Khanye Local Municipality has adopted the Provision for Doubtful Debt and Debt Write-off Policy as set out hereunder –

2. OBJECTIVES OF THE POLICY

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

3. INTRODUCTION

The effective management of debtors include, amongst others, the following processes:

- Implementation/Maintenance of the appropriate ICT Systems and Business Processes;
- Accurate billing;
- Customer care and accounts enquiry management;
- Effective and timeous credit control;
- Impairment of debtors (Provision for Doubtful Debtors);
- Write-off of uncollectable debtors.

3 – PROVISION FOR DOUBTFUL DEBT AND DEBT WRITE OFF POLICY

This policy provides guidelines on the treatment of the impairment and write-off of debtors.

4. APPLICABLE ACCOUNTING STANDARDS

GRAP 104 financial instruments sets out the requirements and guidelines for the impairment of financial assets subsequently carried at amortised cost.

GRAP 104.46 all financial assets measured at amortised cost, or cost, are subject to an impairment review..."

GRAP 104.57 an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial assets or group of financial assets is impaired.

If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph . 64 (for financial assets carried at cost) to determine the amount of any impairment loss".

GRAP 104.58 a "a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated".

GRAP 104.61 if there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets's

carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in surplus or deficit"

5. IMPAIRMENT OF DEBTORS

Consumer debtors, long term receivables and other debtors are stated at cost less a provision for bad debts. The provision is made on an individual basis, or based on expected cash flows.

An objective assessment of financial assets is made at financial year-end in order to determine possible impairment. Impairment loss is recognized as an expense in the Statement of Financial Performance.

Individual classes of loans and receivables are assessed for impairment using the following methodologies:

5.1 CONSUMER DEBTORS

Consumer Debtors are evaluated at each reporting date and impaired as follows:

Category of Debtor	Percentage of debt regarded as collectable	Percentage of debt provided for as irrecoverable (ie Impairment Percentage)
Credit balances	Zero	Zero
Accounts with balances only in current (0 – 30)0''	100%	Zero
Inactive accounts	Zero	100%
Approved indigents	Zero	100%
Pending indigents	Zero	100%
No payment received during preceding 6 months	Zero	100%
State debtors (National, Provincial, Local and SOE's)	100%	Zero
Farm owned properties	100%	Zero
<p>All other debtors:</p> <p>Significant financial difficulties of the debtors and default or delinquency in payments or all debt outstanding for more than 30 days are considered indicators to determine that debtors are impaired.</p> <p>The remainder of the debtors are evaluated using a payment ratio which can be defined as the sum of the debtors's total payment for the year divided by the debtors's total billing for the year. Only impairing debtors balance after 6 month of non-payment</p>		

5.2 SUNDRY DEPOSITS

Sundry deposits are assessed for impairment to ensure that no objective evidence exists that these deposits are irrecoverable.

5.3 SUNDRY DEBTORS

Sundry debtors are those Suspense Control Accounts classified as financial instruments with debit balances as at year-end. Sundry debtors are assessed individually for impairment to ensure that no objective evidence exists that these debtors are irrecoverable.

6 IDENTIFICATION OF IRRECOVERABLE DEBTS

6.1 When the municipality identifies customers whose debts appear to be irrecoverable even after the whole credit control and debt collection process has been followed in terms of trying to obtain payment, then such accounts should be regarded as Irrecoverable.

6.2 Once the debt is regarded as irrecoverable during the course of the year it must be grouped with others so that at the latest by April every year a report should serve before the Council in order to write off the irrecoverable debts.

6.3 Debts can be regarded as irrecoverable under the following circumstances:-

6.3.1. General

- 6.3.1.1 Debt that was subject to all the collection procedures provided for in this policy and still was unsuccessful to collect the debt and where the debt collection process had been abandoned.
- 6.3.1.2 Debt of which the cost to collect debt has exceeded the debt amount.
- 6.3.1.3 Debt of indigent debtors that cannot be collected after the implementation of the debt collection procedures applicable to indigent consumers.
- 6.3.1.4 Small amount debt which the cost to collect the debt is more than the debt amount.

6.3.2 Debt of deceased estate

- 6.3.2.1 Claims must have been submitted to the estate of the deceased
- 6.3.2.2 The executor of the estate advised Council in writing that there are no funds in the estate, and if the heir is employed he will be fully liable for the outstanding debt.

6.3.3 Debt of debtors who have emigrated

- 6.3.3.1 Debt collection procedures must have been implemented;
- 6.3.3.2 Council was informed by a reliable source that the debtor had emigrated.

6.3.4 Debt that has prescribed

- 6.3.4.1 Debt collection procedures must have been implemented;
- 6.3.4.2 Debt must be older than three years
- 6.3.4.3 Debt must comply with the provisions of section 10 Chapter III of the Prescription Act No 68 of 1969

6.3.5 Debt of Insolvent estates

- 6.3.5.1 Debt collection procedures must have been implemented
- 6.3.5.2 Claims must have been submitted to the liquidators of the insolvent estate
- 6.3.5.3 The liquidators of the insolvent estate must advise Council in writing that there are no funds in the estate
- 6.3.5.4 Council received dividends on the amount owing and was advised that the estate had been finalized and there will be no further dividends forthcoming.

6.3.6 Debt of Indigent Households

- 6.3.6.1 Approved indigent debtors who qualify and remain with indigent status for more than two years, may be written off after obtaining a Council resolution.
- 6.3.6.2 Any debt accrued, in excess of the discounted monthly levies, will be recoverable in terms of the credit control policy.

7 WRITE OFF OF DOUBTFUL DEBTORS

Where debts are identified as being irrecoverable (in periods subsequent to debtors being impaired), the process of write-off will be treated as follows:

7.1 AMOUNTS EQUAL TO OR LOWER THAN AMOUNTS DELEGATED TO THE CHIEF FINANCIAL OFFICER BY COUNCIL FROM TIME TO TIME

Debt collector identifying irrecoverable debtors within the delegated powers of the CFO must prepare a report for the attention of the CFO detailing the nature of the underlying debt, conditions that led to the debt being identified as being irrecoverable, details on credit and debt collection processes followed to recover the debt and confirmation that all available avenues to recover the debt have been exhausted and that further actions would be fruitless and not cost effective.

The report of the debt collector must be scrutinised by the revenue manager and his recommendation must be documented in the report.

The final report containing the recommendations of both the debt collector as well as the revenue manager must be presented to the chief financial officer for consideration.

Requests approved by the Municipal Manager in consultation with the CFO will be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the director income and retained for audit purposes.

7.2 AMOUNTS EXCEEDING THE CFO'S DELEGATED AUTHORITY

The process for the consideration of write-off of debts in respect of amounts in excess of CFO delegated authority must be dealt with as follows:

The debt collector identifying irrecoverable debts in excess of chief financial officer delegations and prepare report detailing the nature of the underlying debt, conditions that led to the debt being identified as being irrecoverable, details on credit and debt collection processes followed to recover the debt and confirmation that all available avenues to recover the debt have been exhausted and that further actions would be fruitless and not cost effective.

The report of the debt collector must be scrutinised by the revenue manager and his recommendation must be documented in the report.

The final report containing the recommendations of both the debt collector as well as the revenue manager must be presented to the chief financial officer for consideration.

If approved by the CFO, a formal report must be submitted to the Finance Portfolio Committee, Mayoral Committee and Council for consideration.

Approvals granted by council must be processed against the relevant debtors account and reflected as debit against bad debt provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the director income and retained for audit purposes.

7.3 APPLICATION OF PRESCRIPTION ACT

The provisions of Prescription Act will apply to all services debt, excluding assessment rates. Applications and/or claims for prescription from debtors will only be assessed if no formal credit control or legal actions have been instituted during prescription debt period of three (3) years.

Income manager will assess application in terms of prescribed requirements. If in compliance with Prescription Act, approval may be granted to write-off prescribed portion of debt.

Approvals granted must be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the director income and retained for audit purposes.

7.4 SPECIFIC DEBT WRITE-OFF INCENTIVES

Revenue manager to identify and investigate specific uncollectable debt categories. Report with full details as to the reasons for categorized debt write off to be submitted to council for approval.

Municipal manager to approve the writing off of interest on accounts where a once off settlement is made.

Approvals granted must be processed against the relevant debtors account and reflected as debit against Bad Debt Provision in the financial ledger.

Reconciliation of the Provision for Doubtful Debtors Account must be prepared annually by the director income and retained for audit purposes.

7.5 OTHER WRITE OFFS

Department/Entity identify deemed irrecoverable debts and prepare report detailing the nature of the underlying debt, conditions that led to the debt being identified as being irrecoverable, details on credit and debt collection processes followed to recover the debt and confirmation that all available avenues to recover the debt have been exhausted.

If approved by the CFO, formal report must be submitted to the Finance Portfolio Committee, Mayoral Committee and Council for consideration.



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

SUPPLY CHAIN MANAGEMENT POLICY

Policy Number:	Approved by Council:
Resolution No: A008/03/2024	Review Date: February 2025

MUNICIPAL SUPPLY CHAIN MANAGEMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Council of the Victor Khanye Local Municipality resolves in terms of section 111 of the Local Government: Municipal Finance Management Act (no. 56 of 2003) to adopt the following as the Supply Chain Management Policy of the municipality:

TABLE OF CONTENTS

1. Definitions

CHAPTER 1

**ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT
POLICY**

2. Supply chain management policy
3. Adoption and amendment of supply chain management policy
4. Delegation of supply chain management powers and duties
5. Sub delegations
6. Oversight role of council
7. Supply chain management units
8. Training of supply chain management officials

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

9. Format of supply chain management

Part 1: Demand management

10. System of demand management

Part 2: Acquisition management

11. System of acquisition management
12. Range of procurement processes
13. General preconditions for consideration of written quotations or bids
14. Lists of accredited prospective providers
15. Preferential Procurement Aim
16. Petty cash purchases
17. Written quotations
18. Formal written price quotations
19. Procedures for procuring goods or services through written quotations and formal written price quotations
20. Competitive bidding process
21. Process for competitive bidding
22. Bid documentation for competitive bids
23. Public invitation for competitive bids
24. Procedure for handling, opening and recording of bids
25. Negotiations with preferred bidders
26. Two-stage bidding process
27. Committee system for competitive bids
28. Bid specification committees
29. Bid evaluation committees
30. Bid adjudication committees
31. Procurement of banking services
32. Procurement of IT related goods or services
33. Procurement of goods and services under contracts secured by other organs of state
34. Procurement of goods necessitating special safety arrangements
35. Proudly SA Campaign
36. Appointment of consultants
37. Deviation from, and ratification of minor breaches of, procurement processes
38. Unsolicited bids

39. Combating of abuse of supply chain management system

Part 3: Logistics, Disposal, Risk and Performance Management

40. Logistics management
41. Disposal management
42. Risk management
43. Performance management

Part 4: Other matters

44. Prohibition on awards to persons whose tax matters are not in order
45. Prohibition on awards to persons in the service of the state
46. Awards to close family members of persons in the service of the state
47. Ethical standards
48. Inducements, rewards, gifts and favours
49. Sponsorships
50. Objections and complaints
51. Resolution of disputes, objections, complaints and queries
52. Contracts providing for compensation based on turnover
53. Payment of sub-contractors / JV Partners
54. Extending and varying a contract
55. Short Title and Commencement
60. Rotation on panel of service providers

1. Definitions

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

- (i) **“competitive bidding process”** means a competitive bidding process referred to in paragraph 12 (1) (d) of this policy;

- (ii) **“competitive bid”** means a bid in terms of a competitive bidding process;
- (iii) **“final award”**, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;
- (iv) **“formal written price quotation”** means quotations referred to in paragraph 12 (1) (c) of this policy;
- (v) **“in the service of the state”** means to be –
 - (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
 - (b) a member of the board of directors of any municipal entity;
 - (c) an official of any municipality or municipal entity;
 - (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
 - (e) a member of the accounting authority of any national or provincial public entity; or
 - (f) an employee of Parliament or a provincial legislature;
- (vi) **“long term contract”** means a contract with a duration period exceeding one year;
- (vii) **“list of accredited prospective providers”** means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of paragraph 14 of this policy;
- (viii) **“other applicable legislation”** means any other legislation applicable to municipal supply chain management, including –

- (a) the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000);
- (b) the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);
- (c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000); and
- (d) the Prevention and Combating of Corrupt Activities Act, 2004 [Act 12 of 2004].
- (ix) **“Validity period”** means the period for which a bid is to remain valid and binding as stipulated in the relevant tender document and or procedure manual
- (ix) **“Regulation”** means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations, published in Notice 868 of 30 May 2005;
- (x) **“Treasury guidelines”** means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;
- (xi) **“the Act”** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- (xii) **“written quotations”** means quotations referred to in paragraph 12(1)(b) of this policy.
- (xiii) **“specific goals” means specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and development Programme as published in Government Gazette No. 16085 dated 23 November 1994;**

CHAPTER 1
ESTABLISHMENT AND IMPLEMENTATION OF SUPPLY CHAIN
MANAGEMENT POLICY

Supply chain management policy

2. (1) The principles of this policy are that it -
- (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the regulatory framework prescribed in Chapter 2 of the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
 - (d) is consistent with other applicable legislation;
 - (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
 - (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.
- (2) The municipality may not act otherwise than in accordance with this supply chain management policy when –
- (a) procuring goods or services;
 - (b) disposing of goods no longer needed;
 - (c) selecting contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

- (d) in the case of a municipality, selecting external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act.
- (3) Subparagraphs (1) and (2) of this policy do not apply in the circumstances described in section 110 (2) of the Act except where specifically provided otherwise in this policy.

Adoption and amendment of the supply chain management policy

- 3. (1) The accounting officer must –
 - (a) at least annually review the implementation of this policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this policy to the council.
- (2) If the accounting officer submits a draft policy to the council that differs from the model policy, the accounting officer must ensure that such draft policy complies with the Regulations. The accounting officer must report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- (3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.
- (4) The accounting officer of the municipality must in terms of section 62(1)(f)(iv) of the Act, take all reasonable steps to ensure that the municipality has and implements this supply chain management policy.

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates and is required to further delegate such additional powers and duties to the accounting officer so as to enable the accounting officer –
 - (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) the supply chain management policy;
 - (b) to maximise administrative and operational efficiency in the implementation of the supply chain management policy;
 - (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of the supply chain management policy; and
 - (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- (2) Section 79 of the Act apply to the subdelegation of powers and duties delegated to the accounting officer in terms of subparagraph (1) of this policy.
- (3) The council or accounting officer may not delegate or subdelegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;
- (4) This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

- (5) The accounting officer may not delegate or sub-delegate the authority to enter into negotiations in terms of paragraph 24 of this policy.

Sub-delegations

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

- (2) The power to make a final award –

- (a) Above R10 million (VAT included) may not be sub-delegated by the accounting officer;

- (b) Above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub-delegated but only to –

- (i) The chief financial officer;
- (ii) A senior manager; or
- (iii) A bid adjudication committee of which the chief financial officer or a senior manager is a member; or

- (c) Not exceeding R 2 million (VAT included) may be sub-delegated but only to –

- (i) the chief financial officer;
- (ii) a senior manager;
- (iii) a manager directly accountable to the chief financial officer or a senior manager; or
- (iv) a bid adjudication committee.

- (3) An official or bid adjudication committee to which the power to make final awards has been sub-delegated in accordance with subparagraph (2) of this policy must within **five (05)** working days of the end of each month submit to the official referred to in subparagraph (4) of this policy a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) the reason why the award was made to that person.
- (4) A written report referred to in subparagraph (3) of this policy must be submitted –
- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;
 - (ii) a senior manager; or
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii) of this policy; or
 - (ii) a bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- (5) Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.
- (6) This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub-delegated, to

make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this policy.

- (7) The Accounting Officer may subdelegate the Chairpersonship of the Bid Adjudication Committee to any Senior Official reporting directly to the chief financial officer or Deputy chief financial officer.
- (8) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

- 6. (1) the council must maintain oversight over the implementation of this supply chain management policy:
- (2) For the purposes of such oversight the accounting officer must –
 - (a) (i) within 30 days of the end of each financial year, submit a report on the implementation of the supply chain management policy of the municipality and of any municipal entity under its sole or shared control, to the council of the municipality,
 - (ii) whenever there are serious and material problems in the implementation of the supply chain management policy, immediately submit a report to the council.
- (3) The accounting officer must, within twenty [20] days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive committee.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management unit

7. (1) A supply chain management unit is hereby established to implement this supply chain management policy.
- (2) The supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.

Training of supply chain management officials

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

CHAPTER 2

FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

Format of supply chain management

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

Part 1: Demand management

System of demand management

10. In order to ensure that the resources required to support the strategic and operational commitments are delivered at the correct time, at the right price and at the right location, and that the quantity and quality satisfy needs, an effective system of demand management must include the following:
- (a) Planning for future requirements. Acquisition and disposals of all goods required to meet the strategic goals outlined in the Integrated Development Plan must be quantified, budgeted and planned to ensure timely and effective delivery, appropriate quality at a fair cost to meet the needs of the municipality and community. Critical delivery dates must be determined and adhered to as set out in the service delivery and budget implementation plan contemplated in section 69[3][a] of the Act.
 - (b) If the requirement is of a repetitive nature and there are benefits of economies of scale a contract for a specific commodity should be arranged.

- (c) In order to compile the correct specifications an industry analysis / research should be undertaken to ensure future needs and technology benefits are maximised.

Part 2: Acquisition management

System of acquisition management

- 11. (1) Through operational procedures, an effective system of acquisition management is established in Part 2 of this policy in order to ensure –
 - (a) that goods and services are procured by the municipality in accordance with authorized processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;
and
 - (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) This supply chain management policy, except where provided otherwise in the policy, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –
 - (a) water from the Department of Water and Sanitation or a public entity, another municipality or a municipal entity; and
 - (b) electricity from ESKOM or another public entity, another municipality or a municipal entity.

- (3) The following information must be made public wherever goods or services contemplated in section 110(2) of the Act are procured other than through the supply chain management system -
- (a) the kind of goods or services; and
 - (b) the name of the supplier.

(4) For quotations (up to and including R300 000.00) bidders are required to be registered on the Central Supplier Database (CSD) prior to the acceptance of their quotation (the issue of an official order) in respect of the goods or services required. Procurements above R300 000.00 go through a competitive bidding process.

(5) where bids exceed R300 000.00, bidders who are not registered on the Central Supplier Database are not precluded from submitting bids but must however be registered prior to the awarding of the tender.

(6) All parties to a Joint Venture or Consortium must individually comply with the requirements of clauses.

Range of procurement processes

12. (1) The procurement of goods and services through this policy is provided by way of –
- (a) Petty cash purchases shall be incurred up to a value of R500 (VAT included);
 - (b) Verbal quotation / one quotation up to value of R2.000 (VAT included);
 - (c) Three written quotations for procurements of a transaction value over R2.000 up to R30 000 (VAT included);
 - (d) Formal written price quotations for procurements of a transaction value over R30 000 up to R300.000 (VAT included); and
 - (e) a competitive bidding process for–
 - (i) procurements above a transaction value of R300.000 (VAT included); and

- (ii) the procurement of long term contracts.
- (2) The accounting officer may, in writing-
 - (a) lower, but not increase, the different threshold values specified in subsection (1); or
 - (b) direct that –
 - (i) written or verbal quotation be obtained for any specific procurement of a transaction value lower than R2.000;
 - (ii) three formal written price quotations be obtained for any specific procurement of a transaction value lower than R30 000; or
 - (iii) a three formal written price quotations process may be followed for any specific procurement of a transaction value lower than R300.000.
- (3) Goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining transaction values, a requirement for goods or services consisting of different parts or items shall as far as possible be treated and dealt with as a single transaction.

General preconditions for consideration of written quotations, formal written price quotations or bids

13. A written quotation, formal written price quotation or bid may not be considered unless the provider who submitted the quotation or bid –
- (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;

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

PREFERENTIAL PROCUREMENT AIM

14. (a) The aim of this section of the Municipality's Supply Chain Management Policy is to give effect to, and to ensure compliance with, all applicable legislation and national directives in respect of preferential procurement and broad-based black economic empowerment.

(b) The following procurement strategies are addressed in this section:

the application of a preference point system in terms of the revised Preferential Procurement Regulations (PPR), 2022.

- (c) the unbundling of large projects, where appropriate, into smaller contracts to ensure that a spread of opportunities is made available to suppliers, service providers and construction contractors of various sizes.
- (d) the use of functionality/quality, where appropriate, in procurement processes to ensure that goods supplied are fit for purpose, or that a minimum level of experience and competence in respect of service providers or construction contractors is attained.
- (e) the increase of employment opportunities by ensuring the use of labour-intensive technologies.
- (f) the targeting of labour and/or enterprises from specific areas within the boundaries of the Victor Khanye Municipal area.

- (g) Preferential procurement is further enhanced by provisions aimed at improved access to information, simplification of documentation; deduct performance from payment invoices, reduced payment cycles and good governance.

KEY PRINCIPLES OF THE PREFERENTIAL PROCUREMENT SYSTEM

- (a) The key principles of this system are:

Identification of preference point system;

- (b) The application of 80/20 preference point system for acquisition of goods or services with Rand value equal to or below **R50 million**;

- (c) The application of 90/10 preference point system for acquisition of goods or services with Rand value **above R50 million**;

- (d) The application of 80/20 preference points system for tenders to generate income or to dispose of or lease assets with Rand value equal to or **below R50 million**;

- (e) The application of 90/10 preference point system for tenders to generate income or to dispose of or lease assets with Rand value **above R50 million**;

- (f) That bids may be declared non-responsive if they fail to achieve a minimum score for functionality (quality), if indicated in the bid documents.

- (g) The preference point system shall be used in the evaluation of responsive bids for the purposes of determining preferred/recommended bidders, and for the adjudication thereof.

The preference point system is not applicable to petty cash purchases.

PLANNING AND IDENTIFICATION OF PREFERENCE POINT SYSTEM

- (a) Prior to embarking on any procurement process, the responsible Department must properly plan for, and, as far as possible, accurately estimate the cost of the goods, services or construction works for which bids are to be invited.

- (b) The Bid Specifications Committee shall determine the appropriate preference point system to be used in the evaluation and adjudication of bids and shall ensure that such is clearly stipulated in the bid documentation as contemplated in section 2 of the Preferential

- (c) Procurement Policy Framework Act (PPPFA), 2000 including the implementation of programmes of the Reconstruction and Development Programme as published in

Government Gazette No. 16085 dated 23 November 1994.

(d) An organ of state must, in the tender documents, stipulate—the applicable preference point system as envisaged in Preferential Procurement Regulations (PPR) 2022, section 4, 5, 6 or 7;

(e) The specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.

(f) If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—

an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or

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

(g) That the bid specifications and the advert must be approved by the Accounting Officer or his/her delegate before it can be advertised.

EVALUATION OF BIDS BASED ON FUNCTIONALITY (QUALITY)

(a) Functionality (otherwise known as quality) may be included in the bid evaluation process as a qualifying (eligibility) criterion.

(b) If a bid is to be evaluated on functionality, this must be clearly stated in the invitation to submit a bid, and in the bid documentation.

(c) The evaluation criteria for measuring functionality must be objective. When evaluating bids on functionality the:

(d) evaluation criteria for measuring functionality;

weight of each criterion;

applicable values; and

(e) minimum qualifying score for functionality, must be clearly stipulated in the bid document.

CLOSED BIDDING MAY BE CONSIDERED FOR CONTRACT MANAGEMENT FOR SPECIALIZED PROJECTS

- (a) If a bid fails to achieve the minimum qualifying score for compliance or functionality requirements as indicated in the bid document, it must be regarded as non-responsive, and be rejected (not considered any further in the evaluation process).
- (b) Bids that have achieved the minimum score for functionality, and passed any other responsiveness tests, must be evaluated further in terms of the preference point system prescribed below.
- (c) The municipality is allowed to request documents from bidders for completeness of compliance purposes which may not provide an added advantage/ standing above other bidders.

EVALUATION OF BIDS BASED ON THE PREFERENTIAL POINTS SYSTEM

- (a) The municipality must, in the tender documents, stipulate -
The applicable preference point system applicable to the tender as envisaged in
- (b) Preferential Procurement Regulations (PPR) 2022, section 4, 5, 6 or 7;
the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goal.
- (c) If it is unclear whether the 80/20 or 90/10 preference point system applies, an organ of state must, in the tender documents, stipulate in the case of—
an invitation for tender for income-generating contracts, that either the 80/20 or 90/10 preference point system will apply and that the highest acceptable tender will be used to determine the applicable preference point system; or
any other invitation for tender, that either the 80/20 or 90/10 preference point system will apply and that the lowest acceptable tender will be used to determine the applicable preference point system.

THE APPLICATION OF 80/20 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR

SERVICES WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

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

$$Ps = (80(1 - \frac{PT - Pmin}{Pmin}))$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Race 30%

Gender 30%

Disability 30%

RDP 10%

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

Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

THE APPLICATION OF 90/10 PREFERENCE POINT SYSTEM FOR ACQUISITION OF GOODS OR SERVICES WITH RAND VALUE ABOVE R50 MILLION

The following formula must be used to calculate the points out 90 for price in respect of an invitation for tender with a Rand value above R50 million, inclusive of all applicable taxes:

$$Ps = (90(1 - \frac{PT - Pmin}{Pmin}))$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Race 30%

Gender 30%

Disability 30%

RDP 10%

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

Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

THE APPLICATION OF 80/20 PREFERENCE POINTS SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE EQUAL TO OR BELOW R50 MILLION

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

$$Ps = (80(1 + \frac{PT - Pmax}{Pmax}))$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

A maximum of 20 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Race 30%

Gender 30%

Disability 30%

Youth 10%

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

Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

THE APPLICATION OF 90/10 PREFERENCE POINT SYSTEM FOR TENDERS FOR INCOME-GENERATING CONTRACTS WITH RAND VALUE ABOVE R50 MILLION

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

$$Ps = (90(1 + \frac{PT - Pmax}{Pmax}))$$

Where-

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmax = Price of highest acceptable tender.

A maximum of 10 points may be awarded to a tenderer for the specific goal specified for the tender in the tender document as follows:

Race 30%

Gender 30%

Disability 30%

Youth 10%

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

Subject to section 2(1)(f) of the Preferential Procurement Policy Framework Act (PPPFA), 2000 the contract must be awarded to the tenderer scoring the highest points.

CRITERIA FOR BREAKING OF DEADLOCK IN SCORING

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

If two or more tenderers score equal total points in all respects, the award must be decided by the drawing of lots.

REMEDIES

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

inform the tenderer accordingly; and

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

After considering the representations referred to in subregulation 13.13.1.2, the organ of state may, if it concludes that such information is false—

disqualify the tenderer or terminate the contract in whole or in part; and

if applicable, claim damages from the tenderer.

Lists of accredited prospective providers

20. (1) The accounting officer must –

- (a) keep a list and encourage service providers to register on central supplier database (CSD) of accredited prospective providers of goods and services that must be used for the

- procurement requirements through written or verbal quotations and formal written price quotations; and
- (b) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to register on Central Supplier database (CSD);
 - (c) specify the listing criteria for accredited prospective providers including compliance with SARS tax matters; and
 - (d) disallow the use of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.
- (2) registration on CSD is an ongoing process

Petty cash purchases

15. (1) The conditions for the procurement of goods and services by means of petty cash purchases of this policy, are that minor items are purchased for up to R 500, 00 (Five Hundred Rand) (VAT included) where it is impractical, impossible or not cost-effective to follow the official supply chain management procedures.
- (2) The chief financial officer will authorize officials from his department to keep petty cash registers and to grant refunds for cash purposes or allow cash advances.
 - (3) Cash advances can only be granted for out-of-pocket expenses for delegated representatives of the municipality or upon a written quotation but in all instances a petty cash voucher should be approved by the related departmental head.
 - (4) Officially delegated persons will agree to the deduction from his next remuneration any cash advances of which no proof of expenditure is presented on return from the attended event.
 - (5) A monthly reconciliation report from holder of a petty cash must be provided to the chief financial officer, including –

- (i) the total amount of petty cash purchases for that month; and
- (ii) receipts and appropriate documents for each purchase.

Written quotations

16. The conditions for the procurement of goods or services through written quotations, are as follows –

- (a) quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by 14(1)(b) and (c) of this policy;
- (b) providers must be requested to either submit or confirm such quotations in writing;
- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer; and
- (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices.

Formal written price quotations

17. (1) The conditions for the procurement of goods or services through formal written price quotations, are as follows-

- (a) quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria in the supply chain management policy required by paragraph 14(1)(b) and (c);

- (c) if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer, and
 - (d) the accounting officer must record the names of the potential providers and their written quotations.
- (2) A designated official referred to in subparagraph (1) (c) must within **three (3)** working days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph.

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

18. The operational procedure for the procurement of goods or services through written quotations or formal written price quotations, are as follows–
- (a) all requirements in excess of R30 000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and all official notice boards of the municipality;
 - (b) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers, including by inviting providers to submit quotations on a rotation basis;
 - (c) the accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written quotations or formal written price quotations is not abused;
 - (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written quotations and formal

written price quotations accepted by an official acting in terms of a subdelegation, and;

- (e) the chief financial officer must set requirements for proper record keeping of written quotations and final written price quotations.

Competitive bids

19. (1) Goods or services above a transaction value of **R300 000** (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraphs 11(2) and 36 of this policy; and

- (2) No requirement for goods or services above an estimated transaction value of **R300 000** (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

Process for competitive bidding

20. The procedures for a competitive bidding process are established in Part 2 of this policy for each of the following stages:

- (a) the compilation of bidding documentation;
- (b) the public invitation of bids;
- (c) site meetings or briefing sessions, if applicable;
- (d) the handling of bids submitted in response to public invitation;
- (e) the evaluation of bids;
- (f) the award of contracts;
- (g) the administration of contracts; and
- (h) proper record keeping.

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –
- (a) take into account –
 - (i) the general conditions of contract;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board (CIDB), in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (b) include evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
 - (d) if the value of the transaction is expected to exceed R10 million (VAT included), require bidders to furnish–
 - (i) if the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years;
 - (ii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iii) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (iv) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the

Republic, and, if so, what portion and whether any portion of payment from the municipality or municipal entity is expected to be transferred out of the Republic; and

- (e) stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, in a South African court of law.
- (2) A non-refundable charge shall be raised for bid forms, plans, specifications, samples and any other bid documentation, depending on the nature, magnitude and value of technical information or samples provided by the municipality.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, are as follows:
- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
 - (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2);
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and

- (iii) date, time and venue of any proposed site meetings or briefing sessions.
- (2) The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.
- (3) Bids submitted must be sealed.
- (4) Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies.

Procedure for handling, opening and recording of bids

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

- (a) Bids—
 - (i) must be opened only in public; and
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired;
- (b) Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price; and
- (c) The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection; and
 - (iii) publish the entries in the register and the bid results on the website.

Negotiations with preferred bidders

24. (1) The accounting officer may, subject to paragraph 4(5) of this policy, negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –
- (a) does not allow any preferred bidder a second or unfair opportunity;
 - (b) is not to the detriment of any other bidder; and
 - (c) does not lead to a higher price than the bid as submitted.
- (2) Minutes of such negotiations must be kept for record purposes.

Two-stage bidding process

25. (1) A two-stage bidding process is allowed for –
- (a) large complex projects;
 - (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
 - (c) long term projects with a duration period exceeding three years.
- (2) In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.
- (3) In the second stage final technical proposals and priced bids should be invited.

Committee system for competitive bids

26. (1) The following committees are hereby established –
- (a) bid specification committees as required, depending on the department of the municipality involved;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;

- (2) The accounting officer is required to appoint the members of each committee, taking into account section 117 of the Act; and
- (3) The accounting officer is required to provide for an attendance or oversight process by a neutral or independent observer, appointed by the accounting officer, when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –
 - (a) paragraph 27, 28 and 29 of this policy; and
 - (b) any other applicable legislation.
- (5) The accounting officer may apply the committee system to formal written price quotations.

Bid specification committees

- 27. (1) The appropriate bid specification committee must, depending on the department involved, compile the specifications for each procurement of goods or services by the municipality.
- (2) Specifications –
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and

test methods, packaging, marking or labeling of conformity certification;

- (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word "equivalent";
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Preferential Procurement Regulations 2001; and
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this policy.
- (3) The bid specification committee must be composed of one or more officials of the municipality, preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.
- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

Bid evaluation committees

28. (1) The bid evaluation committee must –
- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2)(f).
 - (b) objectively evaluate each bidder's ability to execute the contract;

- (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
 - (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.
- (2) The bid evaluation committee must as far as possible be composed of–
- (a) officials from departments requiring the goods or services; and
 - (b) at least one supply chain management practitioner of the municipality.

Bid adjudication committees

29. (1) The bid adjudication committee must –
- (a) consider the report and recommendations of the bid evaluation committee; and
 - (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or
 - (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) The bid adjudication committee must consist of at least four senior managers of the municipality which must include –
- (i) the chief financial officer or, if the chief financial officer is not available, another senior finance official heading either of the budget or treasury offices, reporting directly to the chief

financial officer and designated by the chief financial officer;
and

- (ii) at least one senior supply chain management practitioner who is an official of the municipality; and
 - (iii) a technical expert in the relevant field who is an official, if such an expert exists.
- (3) The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting.
- (4) Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee.
- (5) (a) If the bid adjudication committee decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid –
- (i) check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears, and;
 - (ii) notify the accounting officer.
- (b) The accounting officer may –
- (i) after due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a); and
 - (ii) if the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration.

- (6) The accounting officer may at any stage of a bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation.
- (7) The accounting officer must comply with section 114 of the Act within 10 working days.

Procurement of banking services

- 30. (1) Banking services –
 - (a) must be procured through competitive bids;
 - (b) must be consistent with section 7 or 85 of the Act; and
 - (c) may not be for a period of more than five years at a time.
- (2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- (3) The closure date for the submission of bids may not be less than sixty (60) days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

- 31. (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.

- (3) The accounting officer must notify SITA together with a motivation of the IT needs if –
 - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT included).
- (4) If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for rejecting or not following such comments must be submitted to the council, the National Treasury, the relevant provincial treasury and the Auditor General.

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

32. (1) The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
- (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so; and
 - (d) that other organ of state and the provider have consented to such procurement in writing.
 - (e) after the process done as mentioned above (a)-(d), the receipt documents should be subjected to bid adjudication committee to confirm such prior the confirmation of the appointment.
- (2) Subparagraphs (1)(c) and (d) do not apply if –

- (a) a municipal entity procures goods or services through a contract secured by its parent municipality; or
- (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality.

Procurement of goods necessitating special safety arrangements

33. (1) The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- (2) Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

Proudly SA Campaign

34. (1) The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
- (a) Firstly –suppliers and businesses within the municipality or district;
 - (b) Secondly – suppliers and businesses within the relevant province;
 - (c) Thirdly – suppliers and businesses within the Republic of South Africa.

Appointment of consultants

35. (1) The accounting officer may procure consulting services provided that any Treasury guidelines and CIDB requirements in respect of consulting services are taken into account when such procurements are made.
- (2) Consultancy services must be procured through competitive bids if-
- (a) the value of the contract exceeds R300 000 (VAT included);
- or

- (b) the duration period of the contract exceeds one year.
- (3) In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) any similar consultancy services provided to an organ of state in the last five years.
- (4) The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

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

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

- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
 - (b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- (2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note to the annual financial statements.
- (3) Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

Unsolicited bids

37. (1) In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process.
- (2) The accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if –
- (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) the reasons for not going through the normal bidding processes are found to be sound by the accounting officer.

- (3) If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) an invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- (4) All written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, must be submitted to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and

the National Treasury the reasons for rejecting or not following those recommendations.

- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

38. The following measures are established to combat the abuse of the supply chain management system:

- (1) The accounting officer must—
- (a) take all reasonable steps to prevent abuse of the supply chain management system;
 - (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this supply chain management policy, and when justified —
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
 - (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
 - (d) reject any bid from a bidder—
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or

- municipal entity, are in arrears for more than three months; or
- (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
 - (f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
 - (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or

- (iv) has been listed in the Register for Tender Defaulters in terms section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
- (2) The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

39. An effective system of logistics management must include the following:
- (a) monitoring of spending patterns on types or classes of goods and services which should where practical incorporate the coding of items to ensure that each item has a unique number for the purposes of monitoring
 - (b) setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) placing of manual or electronic orders for all acquisitions other than petty cash;
 - (d) before payment is approved, a certification from the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted / in terms of a contract;
 - (e) appropriate standards of internal control and warehouse management to ensure goods placed in stores are secure and only used for the purpose they were purchased;
 - (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and

- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for a particular good or service.

Disposal management

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

(a) Movable assets:

- (i) the asset is uneconomical to repair;
- (ii) the asset is irreparable;
- (iii) the relevant department has no further use for the asset; and
- (iv) no other department requires the asset.

(b) Immovable assets:

- (i) the relevant department has no further use for the asset;
- (ii) no other department requires the asset;
- (iii) a member of the public wishing to acquire the asset can utilize the asset to the advantage of the community; or
- (iv) where the assets were specifically created for the sale or rental thereof to the public.

(2) The disposal of assets must—

(a) be by one of the following methods:

- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;

- (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (iii) selling the asset; or
 - (iv) destroying the asset;
- (b) provided that –
- (i) immovable property may be sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
 - (ii) movable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
 - (iii) in the case of the free disposal of computer equipment, the provincial department of education must first be approached to indicate within 30 days whether any of the local schools are interested in the equipment; and
 - (iv) in the case of the disposal of firearms, the National Conventional Arms Control Committee has approved any sale or donation of firearms to any person or institution within or outside the Republic;
- (c) furthermore ensure that –
- (i) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise; and
 - (ii) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed; and

- (d) ensure that where assets are traded in for other assets, the highest possible trade-in price is negotiated.

Risk management

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

- (a) non compliance by the supplier to deliver within the agreed timeframes;
- (b) supply of inferior goods or services by the supplier;
- (c) inability of the supplier to provide goods or services as ordered;
- (d) non adherence to the municipality policy with regards to utilization of preferred suppliers; and
- (e) procurement of goods or services at prices or of a quality not in the best interest of the municipality.

(2) Risk management must include –

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

Performance management

42. The accounting officer must ensure that an effective internal monitoring system is implemented in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management

processes were followed and whether the measurable performance objectives linked to and approved with the budget and the service delivery and budget implementation plan, were achieved.

Part 4: Other matters

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

43. (1) The accounting officer must ensure that, irrespective of the procurement process followed, no award above R15 000 is given to a person whose tax matters have not been declared by the South African Revenue Service to be in order.
- (2) Before making an award to a provider or bidder, a tax clearance certificate from SARS must first be provided as contemplated in paragraph 13(a)(iv).
- (3) Before making an award to a provider or bidder, where the annual turnover is expected to exceed R1 000 000, that the provider or bidder be registered for VAT as per the Income Tax Act 58 of 1962.

Prohibition on awards to persons in the service of the state

44. The accounting officer must ensure that irrespective of the procurement process followed, no award may be given to a person –
- (a) who is in the service of the state; or
 - (b) if that person is not a natural person, of which any director, manager, majority shareholder or majority stakeholder is a person in the service of the state; or
 - (c) who is an advisor or consultant contracted with the municipality in respect of a contract that would cause a conflict of interest.

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

45. The notes to the annual financial statements must disclose particulars of any award of more than R2000 (Two Thousand Rand) to a person who is

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

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

Ethical standards

46. (1) A code of ethical standards is hereby established, in accordance with subparagraph (2), for officials and other role players in the supply chain management system in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

(2) An official or other role player involved in the implementation of the supply chain management policy –

- (a) must treat all providers and potential providers equitably;
- (b) may not use his or her position for private gain or to improperly benefit another person;
- (c) may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
- (d) notwithstanding subparagraph (2)(c), must declare to the accounting officer details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed

procurement or disposal process of, or in any award of a contract by, the municipality;

- (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) must be scrupulous in his or her use of property belonging to the municipality;
 - (h) must assist the accounting officer in combating fraud, corruption, favouritism and unfair and irregular practices in the supply chain management system; and
 - (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favouritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) -
- (a) must be recorded in a register which the accounting officer must keep for this purpose;
 - (b) by the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.
- (4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

- (5) A breach of the code of conduct adopted by the municipality must be dealt with in accordance with schedule 2 of the Local Government: Municipal Systems Act, 2000.

Inducements, rewards, gifts and favours to municipalities, officials and other role players

47. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –
- (a) any inducement or reward to the municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of the supply chain management policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

48. The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –
- (a) a provider or prospective provider of goods or services; or

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

Objections and complaints

49. Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action, at the office of the accounting officer.

Resolution of disputes, objections, complaints and queries

50. (1) The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –
- (a) to assist in the resolution of disputes between the municipality and other persons regarding –
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (b) to deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- (2) The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- (3) The person appointed must –
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and

- (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- (4) A dispute, objection, complaint or query may be referred to the relevant provincial treasury if –
 - (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) no response is forthcoming within 60 days.
- (5) If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- (6) This paragraph must not be read as affecting a person's rights to approach a court at any time.

Contracts providing for compensation based on turnover

51. If a service provider acts on behalf of a municipality to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the municipality must stipulate–
- (a) a cap on the compensation payable to the service provider; and
 - (h) that such compensation must be performance based.

Payment of sub-contractors or joint venture partners

52. The chief financial officer or an official designated by the chief financial officer may consent to the direct payment of sub-contractors or joint venture partners by way of:
- (a) an agreement for direct payment.

Extending or varying a contract

53.(1) Subject to subsection (2), the municipality on its own initiative or upon receipt of an application from the person, body, organisation or corporation supplying goods or services to the municipality in terms of this policy, may resolve to extend or vary a contract if:-

- (a) the circumstances as contemplated in paragraph 36[1][a] prevail; or
- (b) with due regard to administrative efficiency and effectiveness, the accounting officer deems it appropriate.

(2) The municipality may not extend or vary a contract:-

- (a) for a period exceeding the duration of the original agreement; or
- (b) for an amount exceeding hundred [100] percent of the original bid value.

(3) Within one [1] month of the decision referred to in sub-paragraph (1), the matters specified in sub-paragraph (4) must be:-

- (a) displayed at a prominent place that is designed for that purpose by the municipality.

(4) The matters to be published or displayed are:-

- (a) the reasons for dispensing with the prescribed procedure;
- (b) a summary of the requirements of the goods or services; and
- (c) the details of the person, body, organization or corporation supplying the goods or services.

(5) The functions of the accounting officer in terms of this section may not be assigned nor delegated.

54. Register for tender defaulters

- (1) The accounting officer shall keep a register of providers that have defaulted with the municipality in the past, stating reasons for defaulting in terms of the Prevention and Combating of Corrupt Activities Act, 2004 (Act No 12 of 2004).

- (a) The accounting officer shall reject any bid if that bidder or any of its directors has been listed in the Register for Tender Defaulters of treasury.
- (b) The register determines the period, which may not be less than five years or more than 10 years, for which the convicted provider shall be prohibited from doing business with the public sector;
 - (i) if the period determined by the register has expired, the convicted provider would be prohibited from doing business with the public sector.

55. Rotation on panel of service providers

- (1) If the municipality has appointed a panel of service providers, which a rotation of such panel has to be implemented.
- (2) The rotation of such panel has to be monitored by both the scmu and the end user department for fairness on the panel.
- (3) The end user department must submit a request for approval to scmu before an order is issued for work to be done by one panellists.
- (4) The appointed panel of service providers will still be expected to submit quotations.
- (5) Then scum due processes will apply.

ANNEXURE A

Infrastructure Procurement in terms of PPPA 2017

Short Title and Commencement

This policy is called the Victor Khanye Local Municipality Supply Chain Management Policy and takes effect on 01 January 2006, and has been reviewed in 2008; 2009; 2010; 2011; 2012;2017,2018,2019,2020,2021,2022,2023,2024



VICTOR KHANYE LOCAL MUNICIPALITY

**RATES POLICY
1 JULY 2025 - 30 JUNE 2026**

CONTENTS

1. INTRODUCTION

The Local Government Municipal Property Rates Act 2004 Act 6 of 2004 (Herein after referred to as the MPRA) requires municipalities to develop, adopt and implement a rates policy in consistent with the provisions of Section 3(1) of the of the MPRA as well as Section 62(1) (f) (ii) of the Municipal Finance Management Act, 2003, Act No. 56 of 2003 (Herein after referred to as the MFMA).

The municipality needs a reliable source of revenue to provide basic services and perform its functions. Property rates are the most important source of general revenue for the municipality. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDP) and municipal budgets.

Municipal property rates are set, collected, and used locally. Revenue from property rates is spent within a municipality, where the citizens and voters have a voice in decisions on how the revenue is spent as part of the Integrated Development Plans (IDP) and budget processes, which a municipality invites communities to input prior municipal council adoption of the budget.

The rates policy is the outcome of a community participation process followed in terms of the provisions of Section 4 of the of the MPRA and final adoption by the Council and sets out the policy of the Victor Khanye Local Municipality for levying rates on ratable property. In applying its rates policy, the Council shall adhere to all requirements of amongst other the MPRA and MFMA including any regulations promulgated in terms of these acts'

The municipality will as part of each annual operating budget impose a rate in the rand on the market value of all ratable properties as recorded in the municipality's valuation roll(s). Ratable property shall include any rights registered against such property, with the exception a mortgage bond. Generally, all land within a Council area is ratable unless it is specially exempted as set out in section 15 of the MPRA. Such exemption includes cemeteries, amateur sport grounds and properties owned by welfare organization.

A municipality must adopt a rating policy which sets out the broad policy framework, within which the Council rates its area (Section 3), and must annually review and if necessary amend its rates policy (Section 5)

2. LEGISLATIVE FRAMEWORK

- 2.1 This policy is mandated by Section 3 of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004), which specifically provides that a municipality must adopt a Rates Policy.
- 2.2 In terms of Section 229 of the Constitution of the Republic of South Africa, 1996 (No.108 of 1996), a municipality may impose rates on property.
- 2.3 In terms of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) a municipality in accordance with-
- a. Section 2(1), may levy a rate on property in its area; and
 - b. Section 2(3), must exercise its power to levy a rate on property subject to-
 - i. Section 229 and any other applicable provisions of the Constitution;
 - ii. the provisions of the Property Rates Act and any regulations promulgated in terms thereof; and
 - iii. the rates policy.
- 2.4 In terms of Section 4 (1) (c) of the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000), the municipality has the right to finance the affairs of the municipality by imposing, inter alia, rates on property.
- 2.5 In terms of Section 62(1) (f) (ii) of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003) the municipal manager must ensure that the municipality has and implements a rates policy.
- 2.6 This policy must be read together with, and is subject to the stipulations of the Local Government: Municipal Property Rates Act, 2004 (No. 6 of 2004) and any regulations promulgated in terms thereof from time to time.

3. DEFINITIONS

In this policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned is subject to that contained in the Act.

Act	Means the Local Government: Municipal Property Rates Act,
Agricultural Property	means property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of [a] the property for the purpose of eco-tourism or for the trading in or hunting of game

By-law	in the official gazette of the relevant province.
Date of valuation	Means the date determined by a municipality in terms of section 31 (1)
Day	means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on a Saturday, Sunday or any public holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday;"
Effective date	In relation to a valuation roll means the date on which the valuation roll takes effect in terms of section 32, or b. in relation to a supplementary valuation roll, means the date on which a supplementary roll takes effect in terms of section 78
Exclusion	In relation to a municipality rating power, means a restriction of that power as provided for in section 17
exemption	In relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15
Indigent	Means any household that is legally resident in the Country and reside in Victor Khanye Local Municipality's jurisdictional area, who due to a number of economic and social factors is unable to pay Municipal basic services and registered as indigent in terms of the Indigent
Happy Letter	Happy Letter means a Letter of Satisfaction which is required by an institution to the PURCHASER and which confirms that the PURCHASER has accepted possession of the unit
Local Municipality	Means that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls and which is described in section 155 (1) of the constitution as a category B municipality

Owner	<p>'owner'-</p> <ul style="list-style-type: none"> (a) in relation to a property referred to in paragraph (a) of the definition of 'property', means a person in whose name ownership of the property is registered; (b) in relation to a right referred to in paragraph (b) of the definition of 'property', means a person in whose name the right is registered; (c) in relation to a land tenure right referred to in paragraph (c) of the definition of 'property', means a person in whose name the right is registered or to whom it was granted in terms of legislation; or (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of 'property', means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of 'publicly controlled', provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases: <ul style="list-style-type: none"> (i) A trustee, in the case of a property in a trust excluding state trust land; (ii) an executor or administrator, in the case of a property in a deceased estate; (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation; (iv) a judicial manager, in the case of a property in the estate of a person under judicial management; (v) a curator, in the case of a property in the estate of a person under curatorship; (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude; (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;
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	property, whether or not that person has a right to occupy the property
pensioner	means a person whom - is at least than 60 years of age on date of application
Permitted use	In relation to a property , means the limited purposes for which the property may be used in terms of (a) any restrictions imposed by (i) a condition of title (ii) a provision of a town planning or land use scheme or (iii) any legislation applicable to any specific property or properties or (b) any alleviation of any such restrictions
Person	includes an organ of state
Place of public worship	means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is— (a) registered in the name of the religious community; (b) registered in the name of a trust established for the sole benefit of a religious community; ...
Property	Means; 'property' means- (a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person; (b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property; (c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or (d) Public service infrastructure
Public Benefits Organization	Means an organization conducting specified public benefit activities as defined in section 30 of the income Tax Act 1962 (Act No 58 of 1962) and registered in terms of the income Tax Act for Tax reductions because of those activities

Public service infrastructure	<p>Publicly controlled infrastructure of the following kinds</p> <ul style="list-style-type: none"> a. National, Provincial or other public roads on which goods, services or labour move across a municipal boundary b. Water or sewer pipes, ducts or other conduits, dams and water treatment plants or water pumps forming part of a water or sewer scheme serving the public c. Power stations, power substations or power lines forming part of an electricity scheme serving the public d. Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels e. Railway lines forming part of a national railway system f. Communication towers, masts, exchanges or lines forming part of a communication system serving the public g. Runways or aprons on the air traffic control unit at national or provincial airports; including the vacant land known as the obstacle free zone surrounding these, which must be vacant for the air navigation purpose. h. Break waters/sea walls channels basins, quay walls and jetties roads, railway or infrastructure used for the provision of water/lights/power/sewer or similar services of ports or navigational aids comprising light houses/radio navigation aids/buoys/beacons or any other device or system used to assist the safe and efficient navigation of vessels i. Any other publicly controlled infrastructure as may be prescribed or j. A right registered against immovable property in connection with infrastructure mentioned in paragraph (a) to (i)
Public service purpose	<p>ACT in relation to the use of a property, means property owned and used by an organ of state as—</p> <ul style="list-style-type: none"> (a) hospitals or clinics; (b) schools, pre-schools, early childhood development centres or further education and training colleges; (c) national and provincial libraries and archives; (d) police stations; (e) correctional facilities; or (f) courts of law, <p>but excludes property contemplated in the definition of 'public service infrastructure'</p>
Protected Area	<p>An area that is or has to be listed in the register referred to in section 10 of the Protected Areas Act, 2003.</p>
Rate	<p>Means a municipal rate on property envisaged in section 229 (1) (a) of the Constitution</p>
Ratable property	<p>Means property on which a municipality may in terms of section 2 levy a rate excluding property fully excluded from the levying of rates</p>

	in terms of section 17
ratio	in relation to section 19, means the relationship between the cent amount in the Rand applicable to residential properties and different categories of non-residential properties: Provided that the two relevant cent amounts in the Rand are inclusive of any relief measures that amount to rebates of a general application to all properties within a property category
Rebate	In relation to a rate payable on a property means a discount granted in terms of section 15 of the amount of the rate payable on the property
Reduction	In relation to a rate payable on a property means the lowering in terms of section 15 of the amount for which the property was valued and the rating of the property at that lower amount

Residential property	means a property included in a valuation roll in terms of section 48(2)(b) [as residential;] in respect of which the primary use or permitted use is for residential purposes without derogating from section 9;"
Sectional title act	Means the sectional titles Act 1986 (Act 95 of 1986)
Sectional title scheme	Means a scheme defined in section 1 of the sectional titles Act
Sectional title unit	Means a unit defined in section 1 of sectional titles Act
State trust land	Means land owned by the state (a) in trust for persons communally inhabiting the land in terms of a traditional system of land tenure (b) over which the land tenure rights were registered or granted or (c) which is earmarked for disposal in terms of the restitution of land rights Act 1994 (Act 22 of 1994)
Vacant Land	Means all properties zoned in or in respect of which permitted use is for residential/business/agricultural/ state owned and are undeveloped, vacant and are within the a proclaimed township or a land development area
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 any applicable Town Planning Scheme and "zoned" has corresponding meaning. Where the property carries multiple zoning rights , the categorization of such property will be determined by apportioning the market value of the property , in a manner as may be prescribed to the different purposes for which the property is used and applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments

4. Purpose

The purpose of the policy is

- (1) To comply with the provisions set out in section 3 of the Act
- (2) To determine the criteria to be applied for
 - (a) Levying deferential rates for different categories of properties
 - (b) Exemptions relating to specific category of owners of properties, or owners of a specific category of properties; (c) Rebates and reductions (d) Rate increases
- (3) To determine or provide the criteria for the determination of:
 - (a) Categories of properties for the purpose of levying different rates:
And
 - (b) Categories of owners of properties or categories of properties for the purposes of granting of exemptions, rebates, and reductions
- (4) Determine how the municipality's power must be exercised in relation to properties which are to be categorized for multiple purposes
- (5) Identify and provide reasons for
 - (a) Exemptions, Rebates and reductions
 - (b) Exclusions
 - (c) Where provided for by the minister of for Local Government, rates on properties must be phased in
- (6) Take into account the effects of rates on the poor and provide appropriate measures to alleviate the rates burden on them
- (7) Take into account the effect of rates on organizations conducting public benefit activities
- (8) Take into account the effect of rates on public service infrastructure.
- (9) Determine measures to promote local economic development and social development
- (10) Identify ratable properties that are not rated

5. STRATEGIC FOCUS

In determining the rate on property, exemptions, rebates and reductions the Council has considered the following:

- 5.1 The impact of rates on the community;
- 5.2 The impact of rate on businesses;
- 5.3 The current economic climate;
- 5.4 The integrated development plan (IDP) of the municipality;
- 5.5 The Local Economic Development Objectives of the municipality; and
- 5.6 Mitigate major shocks to ratepayers when moving from a site rating system to rating on the total value (land and buildings) of a property.

8. Accounts to be furnished

A municipality must furnish each person liable for the payment of a rate with a written account specifying

- (a) The amount due for the rates payable
 - (b) The date on or before which the amount is payable
 - (c) How the amount was calculated.
 - (d) The market value of the property
 - (e) If the property is subject to any compulsory phasing-in discount in terms of section 21, the amount of the discount, and
 - (f) If the property is subject to any additional rate in terms of section 22, the amount due for additional rates
- (1A) A person liable for a rate must furnish the municipality with an address where correspondence can be directed to.

9. AMOUNT DUE FOR RATES – section 11

(1) A rate levied by a municipality on property must be an amount in the Rand-

- (a) on the market value of the property;
- (b) in the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a), or on such lower percentage as the Minister may determine in terms of section 17 (4); or
- (c) in the case of property to which section 17(l)(h) applies, on the market value of the property less the amount stated in that section, or on such other amount as the Minister may determine in terms of section 17(3).

(2) A rate levied by a municipality on properties with a market value below a prescribed valuation level may, instead of a rate determined in terms of subsection (1.), be a uniform fixed amount per property.

10. LIABILITYTY FOR RATES - Section 24-29 MPRA

10.1 A rate levied by the municipality on a property must be paid by the owner of the property, subject to Chapter 9 of the Municipal System Act

10.2 A municipality must furnish each person liable for the payment of a rate with a written account specifying-

- (a) The amount due for rates payable
- (b) The date on or before which the amount is payable
- (c) How the amount was calculated
- (d) The market value of the property
- (e) If the property is subject to any compulsory phasing-in terms of section 21, the amount of the discount; and
- (f) If the property is subject to any additional rate in terms of section 22, the amount due for additional rates.

10.3 Section 27(2) (2) A person is liable for payment of a rate whether or not that person has received a written account in terms of subsection (1). If a person has not received a written account, that person must make the necessary inquiries from the municipality.

10.4 If an amount due for rates levied is unpaid by the owner of the property, the Municipality may recover the amount from a tenant or occupier of the property;(in line with the credit control)

10.5 Any person who is in position of a happy letter from the department of housing or permission to occupy certificate/letter will also be liable to pay rates on the property

10.6 The amount for rates may be recovered from the agent of the owner;

10.7 Where the rates levied on a particular property have been as a result of a Supplementary valuation in terms of Section 78(1) THE MPRA these rates will be payable from dates as contemplated in section 78(4)(a),(b),(c) and(d) of the MPRA;

Section 78.

(1) A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any ratable property-

(a) incorrectly omitted from the valuation roll;

(b) included in a municipality after the last general valuation;

(c) subdivided or consolidated after the last general valuation;

(d) of which the market value has substantially increased or decreased for any

(e) substantially incorrectly valued during the last general valuation

(f) that must be revalued for any other exceptional reason

(g) of which the category has changed or

(h)the value of which was incorrectly recorded in the valuation roll as a result of a clerical or typing error

10.8 Recovery of rates due will be in accordance with municipality's Debt Collection Policy (credit and debt control) and by-law and other applicable legislation

10.9 When transfer of property takes place, the incidence of the property rates falls as a charge on the new owner from the date of registration by the Registrar of Deeds.

10.10 Rates are levied on an annual basis at the start of the financial year as per section 12(1) of the MPRA, but for the convenience of ratepayers raised monthly on consolidated consumer accounts and payable within 15 days of the following month according to the payments due dates stipulated on the specific monthly accounts.

10.11 Annually levied property tax and tariffs may not be changed during a financial year except for the purpose of a financial recovery plan as per section 28(6) of the MFMA

10.12 Arrear payment on property rates at the monthly or annual due dates, are subject to interest.

11. VALUATION OF RATEABLE PROPERTIES

11.1 A general valuation of all ratable properties will be undertaken and a valuation will be compiled every 5 Years.

11.2 Effective day as determined by the act and the approval of the council

11.3 Supplementary valuations will be undertaken on an ongoing basis.

11.4 Supplementary Valuation rolls will be compiled once a year'

11.5 Amendments to the valuation roll to reflect changes to the owner, address, category, extent, description or other prescribed particulars (section 79), will be done annually and only electronic copy of the valuation roll will be updated.

12. LEVYING OF RATES

Section (7)(1)- When levying rates, a municipality must, subject to subsection (2), levy rates on all ratable property in its area

12.1 Differential Rates (CATEGORIES)

Section 8. (1) Subject to section 19, a municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of ratable property, which may include categories determined according to the

- (a) use of the property;
- (b) permitted use of the property;
- (c) a combination of (a) and (b)

The Municipal Valuer of Victor Khanye Local Municipality will be responsible for the categorizing of ratable properties and the maintenance thereof, and any change in the actual use of the property, may result in a change of categories.

Properties shall first of all be categorized in accordance with their formal zoning. Town planning schemes, town establishment schemes and town planning regulations may be used to determine the formal zoning.

If, for whatever reason, the status or zoning of a property cannot be determined in terms of the actual use shall then be determined in order to appropriately categorize such property.

All relevant information, including circumstantial evidence, may be taken into consideration in an attempt to determine for what purpose the property is being used. A physical inspection may be done to acquire the necessary information.

The categories that are determined in terms of section 8(2) of the MPRA are:

Section 8 (2) A municipality must determine the following categories for ratable property in terms of subsection (1): Provided such property category exists within the municipal jurisdiction:

- (a) Residential properties;
- (b) industrial properties;
- (c) business and commercial properties;
- (d) agricultural purposes;
- (e) Mining properties
- (f) properties owned by an organ of state and used for public service purposes;
- (g) public service infrastructure;
- (h) properties owned by public benefit organizations and used for specified public

6. ANNUAL ADOPTION OF THE POLICY

6.1 The rates policy will be reviewed annually, in compliance with section 5(1) of the MPRA and according to the time schedule tabled by the mayor in terms of section 21(1)(b) of the MFMA. Community participation will take place in accordance with chapter 4 of the Local Government Municipal Systems Act, 2000 (32 of 2000)

6.2 Community participation will take place in accordance with chapter 4 of the Local Government Municipal System Act, Act 32 of 2000 and by following the processes as per sections 21A and 21B of the Municipal Systems Act, Act 32 of 2000 (as contained under section 5 of the Municipality Systems Act Amendment Act, Act 44 of 2003) as follows:

- As a document made public (S21A)
 - Displayed at the head and satellite offices and libraries of the municipality
 - Displayed on the municipality's official website (as per prescriptions contained under S21B)
 - Notified to the local community of the place, including website address, where detailed particulars can be obtained
 - Inviting the local community to submit written comments or representations to the municipality in respect of the published documents

6.3 The formal established forums representing a said category of rate payers must also be invited annually to the Council Meeting to be held for the purpose of approval of the Property Rates Policy provided that the information required in 4.2 is duly provided such established forms.

6.4 The policy will be approved with the annual budget in compliance with Section 24 of the MFMA.

6.5 The municipality will adopt and published a by-law in terms of section 162 of the constitution and section 12 and 13 of the MSA to give effect to the implementation rates policy.

7. KEY PRINCIPLES

The Municipality's Rates Policy (herein after referred to as "the/this Policy") is based on the following guiding principles:

- equity;
- affordability;
- poverty alleviation;
- social and economic development;
- financial sustainability; and
- cost efficiency.

Mining property	means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002(Act No. 28 of 2002);
Multiple purpose	in relation to a property, means the use of a property for more than one purpose, subject to section 9
Municipal valuer or valuer of a municipality	Means a person designated as a municipal valuer in terms of section 33
Market Value	In relation to a property means the value of the property determined in accordance with section 46
Municipal property	Means all properties of which the municipality is the owner or which property vests in the municipality but excludes such property owned by or vested in the municipality which is used for residential, business and commercial and/ or industrial purposes and municipal properties has a corresponding meaning

benefit activities

(i) properties used for multiple purposes, subject to section 9; or

(j) any other category of property as may be determined by the minister, with the concurrence of the Minister of Finance, by notice in the Gazette

(k) Vacant properties

MULTI PURPOSE

9. (1) A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for- (a) a purpose corresponding with the permitted use of the property, if the permitted use of the property is regulated; (c) multiple purposes in terms of section 8(2)(r)

(2) A rate levied on a property assigned in terms of subsection (1)(c) to a category of (a) apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and (b) applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value. apportionments.

Rates Tariffs

Category	Tariff
Residential	0.01470
Business	0.04104
Industrial	0.29404
Mining Activities	0.05880
Vacant Land	0.11027
Agricultural	0.00350
Public Benefit Organisations	0.003676
Public Service Infrastructure	0.003676

13. CRITERIA FOR RATING MULTIPLE USE PROPERTY

The following criteria are to be used:

- 13.1 By apportioning the market value of a property to the different purposes for which the Property is used, for
- 13.2 Applying the relevant cent amount in the Rand to the corresponding apportioned market value', applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments

14. CRITERIA FOR DIFFERENTIAL RATING ON DIFFERENT CATEGORIES OF PROPERTIES

The following has been taken into consideration for the purpose of differential rating:

- 12.1 the nature of the property including its sensitivity to rating e.g. agricultural properties used for agricultural purposes
- 12.2 vacant land will be rated higher (in terms of a Cent amount in a Rand) as the municipality is encouraging owners of vacant land to develop it and that the vacant land should not be used for speculation purpose by owners'
- 12.3 promotion of social and economic development of a municipality'
- 12.4 Differential rating among the various property categories will be done by way of setting different amount in the Rand for each property category rather than by way of reductions and rebates. This is much simpler for citizens to understand and thus promotes the principle of transparency.

15. RELIEF MEASURE RELATED TO CATEGORIES OF PROPERTIES AND OWNERS OF PROPERTIES

15.1 CRITERIA FOR EXEMPTIONS, REBATES AND REDUCTION Section 15 of the MPRA states that:

When granting in terms of subsection (1) exemptions, rebates or reductions in respect of owners of categories of properties, a municipality may determine such categories in accordance with section 8(2). and when granting exemptions, rebates or

reductions in respect of categories of owners of properties, such categories may include-

- (a) indigent owners;
- (b) owner's dependent on pensions or social grants for their livelihood;
- (c) owners temporarily without income;
- (d) owners of property situated within an area affected by -
 - (i) a disaster within the meaning of the Disaster Management Act 2002 (Act No. 57 of 2002); or
 - (ii) any other serious adverse social or economic conditions: determined by the municipality; or

- (e) owners of residential properties with a market value lower than R50 000 (RDP houses)
- (f) owners of agricultural properties who are bona Fide farmers
- (g) Properties used for public service purposes
- (h) Properties to which the national heritage resource Act 25 of 1991 and the cultural institutions Act 119 of 1998

15.2. GRANTING OF REBATES AND REDUCTIONS

- i. The exemptions, rebates and reductions will be considered after an application form which is to be provided by Council is accompanied by the following relevant documents are submitted:
 - ii All applications must be addressed in writing;
 - iii. A SARS tax exemption certificate;
 - iv. Pension or social grant proofs including affidavit has been lodged with the municipality on an annual basis
 - v. These applications must reach the municipality before the end of October preceding the start of the new municipal financial year for which relief is sought.
 - vi. The municipality retains the right to refuse exemptions if the details and or accompanying documents are incomplete, incorrect and or false.

15.3. OTHER EXEMPTIONS

As determined in Section 17 of the Act

Other impermissible rates

17. (1) A municipality may not levy a rate on the first 30% of the market value of public service infrastructure;

(f) on mineral rights within the meaning of paragraph (b) of the definition of "property" in section 1;

(g) on a property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses ten years from the date on which such beneficiary's title was registered in the office of the Registrar of Deeds;

(h) The first R 20,000 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 for residential properties; or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes. This amount is inclusive of the impermissible rate on the first R 15 000 of the market value of the property, in terms of Sec 17 (1) (h) of the Act.

by the municipality-

(i) for residential properties; or

(ii) for properties used for multiple purposes, provided one or more

(h) on a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office-bearer of that community who officiates at services at that place of worship.

(1A) The exclusion from rates of a property referred to in subsection (1) (b) lapses

(a) if the property is alienated or let; or

(b) if the exclusion from rates of a property lapses in terms of paragraph (a), the new owner or lessee becomes liable to the municipality concerned for the rates that, had it not been for subsection (1)(b), would have been payable on the property, notwithstanding section 78, with effect from the date of alienation or lease.

(2) (a) The exclusion from rates of a property referred to in subsection (1)(e) 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.

(b) 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 subsection (1) (e), would have been payable on the property during the period commencing from the effective date of the current valuation roll of the municipality.

(c) 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.

(d) The amount for which an owner becomes liable in terms of paragraph (b) must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality.

(b) If the property in respect of which the declaration is withdrawn is privately owned, (d) Paragraphs (b) and (c) apply only if the declaration of the property was withdrawn 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 a decision by the state to withdraw from such agreement because of a breach of the agreement by the private owner. -

(3) The Minister, acting with the concurrence of the Minister of Finance, may from time to time by notice in the Gazette, increase the monetary threshold referred to in subsection (1)(z) to reflect inflation.

(4) The Minister may, by notice in the Gazette, lower the percentage referred to in subsection (1)(a), but only after consultation with-

(a) relevant Cabinet members responsible for the various aspects of public

(6) organized local government; and

(e) relevant public service infrastructure entities.
service infrastructure;

(5) (a) The exclusion from rates of a property referred to in subsection (1)(i) lapses if the property-

(i) is disposed of by the religious community owning it; or

(ii) is no longer used primarily as a place of public worship by a religious community or, in the case of an official residence contemplated in that subsection, is no longer used as such an official residence.

(b) If the exclusion from rates of a property used as such an official residence lapses,

the religious community owning the property becomes liable to the municipality concerned for any rates that, had it not been for subsection (1)(i), would have been payable on the property during the period of one year preceding the date on which the exclusion lapsed.

(c) The amount for which the religious community becomes liable in terms of paragraph (b) must be regarded as rates in arrears, and the applicable interest on that amount is payable to the municipality.

16. Criteria For Increasing of Rates

It is proposed that the following be taken into account for the purpose of increasing /decreasing rates:

- 16.2. Priorities of a municipality reflected in its IDP.
- 16.3. The revenue needs of the municipality.
- 16.4. A need for management of rates shocks.
- 16.5. Affordability of rates to ratepayers.

17. LIABILITY FOR RATES BY PROPERTY OWNERS

17.2. Property rates payable by owners

In case of agricultural property owned by more than one owner in undivided shares where the holding of such undivided shares was allowed before the commencement of the subdivision of the Agricultural Land Act, 1970 the municipality will treat the owner of such property for the purpose of liability for rates in the following manner;

The municipality has considered the following three scenarios:

SCENARIO 1

If the joint property owners are all available and are traceable, the issue of who is liable for rates will be dealt with in the context of whether they have entered into an agreement or not regarding payment of rates liabilities'

In a circumstance where joint owners of the agricultural property have an agreement among themselves that a specific joint owner is liable for all rates levied in respect of that agricultural property, a municipality will hold such a specific joint owner liable for all rates levied in respect of the agricultural property. Such an agreement must be in writing and signed by all affected parties, and a certified copy thereof must be submitted to the municipality.

In a circumstance where joint owners of the agricultural property have an agreement among themselves that each joint owner is liable for that portion or rates on that property that represent that joint owner's undivided share in the agricultural property, a municipality will hold each joint owner liable for their portion of rate levied on the agriculture property. Such an agreement must be in writing and signed by all affected parties, and a certified copy thereof must be submitted to the municipality.

In a circumstance where joint owners of the agricultural property have not informed a municipality in writing as to who is liable for rates regarding agricultural property, a municipality will apply after 24(b)(i) or (ii) of the Act.

SCENARIO 2

If the joint property owners are not traceable with the exception of one joint owner and such joint owner is occupying or using the entire property of a significant larger portion of the entire property (e.g. 80%), the municipality will hold that joint owner liable for the total rates bill for that entire property.

SCENARIO 3

If the joint property owners are not traceable with the exception of one joint owner and such joint owner is occupying or using a small portion of the entire property, the municipality will hold that joint owner liable for that portion of rates levied on the entire property that represents that joint owner's undivided share in that property.

17.3. Method and time of Payment

- i. The municipality will recover rates on a monthly basis.
- ii. Annual rates must be paid in monthly instalments to the municipality at the end of each month.
- iii. A municipality makes provision for the recovery of rates on a monthly basis, subject to conditions outlined in the credit control policy of the municipality.

17.4. Deferral of payment of rates liabilities

The municipality will consider each and every application for deferral of rates, taking into account the merits and demerits of each and the financial implications thereof in so far as the cash - flow of the municipality is concerned.

18. RELIEF MECHANISMS

The Council may grant exemptions, rebates and reductions in recognition of Section 15(2) of the Property Rates Act.

18.2. Rebates

In relation to a rate payable on a property means a discount granted in terms of section 15 of the amount of the rate payable on the property

18.3. Exemptions:

- i. Rateable property registered in the name of a welfare organization registered in terms of the National Welfare Act, 1978 (Act 100 of 1987);
- ii. Publicly controlled infrastructure as defined in the act;
- iii. Residential property that is occupied by the owner with a value below R50 000
- iv. Cemeteries and crematoriums which are registered in the names of private person and which are used exclusively for burials and cremations, as the case may be;

- v. Museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and which are open to public, whether admission is charged or not;
- vi National monuments including ancillary business activities at national monuments;
- vii. Rateable property registered in the name of a trustee or trustees or any organization which is being maintained for the welfare of war veterans as defined in sec 1 of Social Aid Act (House of Assembly), 1989 (Act No 37 of 1989), and their families;
- viii Sports grounds used for the purposes of amateur sport and any social activities which are connected with such sport;
- ix. Rateable property registered in the name of the Boy Scouts, Girl Guides, Sea Scouts, Voortrekkers or any organization which is in the opinion of the municipality, similar or any rateable property let by a municipality to any such organization; etc
- x. Rateable property registered in the name of a declared institution as defined in section 1 of the Cultural Institutions Act, 1969 (Act No 29 of 1969), or the Cultural Institutions Act (House of Assembly), 1989 (Act No 66 of 1989);
- xi. Persons who have reached the age of 60 years or more during the financial year, and physically or mentally disabled people who can substantiate receipt of a social pension, or persons certified by the Medical Officer of Health as physically or mentally handicapped, subject to the following conditions:
 - a) Pensioner with income less than R 4 020 per month, 100% rebate
 - b) Pensioners with income between R5 620 and R4 021, 80% rebate
 - c) Pensioners with income between R7 420 and R5 621, 60% rebate
 - d) For pensioners who exceed the above threshold the rebate will be limited to 60%
 - e) The rateable property concerned must be occupied only by the applicant and his/her spouse, if any and by dependents without income or by people because of specific circumstances in the Chief Financial Officer's opinion;
 - f) There must be not more than two (2) dwelling - units on the rateable Property concerned;
 - g) The applicant must submit proof of his/her age and identity and, in the case of a physically handicapped person, also proof of the receipt of a social pensioner or, if not in receipt of such pension, proof of certified by a Medical Officer of Health;
 - h) The consumer's current account is paid in full; and
 - i) The property is categorized as residential
- xii All other properties as specified in terms of Section 17(1Xa) - (i) of the MPRA

The exemption in 17.3.1 to 17.3.15 will be granted after an application has been considered by the Valuation Roll or Section 15(2) (a) - (f) of the Property Rates Act'

19. AMOUNT DUE FOR RATES

A rate (cent amount in a Rand) will be reflected in the budget'

20. ANNUAL REVIEW OF RATES POLICY

The municipality will annually review, and if necessary amend its rates policy taking into accounts public comments and inputs.

21. THE EFFECTIVE DATES OF THE RATES POLICY

The rates policy takes effect from the start of the municipal financial year.

22. CORRECTION OF ERRORS AND OMISSIONS

Section 78.

(1) A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any ratable property-

- (a) incorrectly omitted from the valuation roll;
- (b) included in a municipality after the last general valuation;
- (c) subdivided or consolidated after the last general valuation;
- (d) of which the market value has substantially increased or decreased for any
- (e) substantially incorrectly valued during the last general valuation
- (f) that must be revalued for any other exceptional reason
- (g) of which the category has changed or
- (h) the value of which was incorrectly recorded in the valuation roll as a result of a clerical or typing error



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

PETTY CASH POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:

1. PREFACE

This policy is compiled with reference to the Municipal Finance Management Act, no 56 of 2003.

2. POLICY OBJECTIVE

To ensure the cost effective and efficient use of petty cash funds, while maintaining the required levels of control.

3. RULES AND PROCEDURES

Safeguarding:

- The petty cash fund is to be safeguarded in a lockable mounted safe which should be locked, not only after hours, but also during normal business hours in a locked, fire-and thief resistant safe located in Expenditure section.
- The designated official from the Expenditure section will fulfill the function of Petty Cash official.
- The Petty Cash official is responsible for the safekeeping of all the keys of the cashbox. The Accountant or Section Head is in possession of a spare key for the safe only.

Limitation on the use of Petty Cash box was R2500 now is R3000

- The maximum amount allocated to the Petty Cash Box will be R3 000.00 of which an individual claim may not exceed R 500.00 (Vat included).
- Loans or advances to employees for personal use from the Petty Cash funds are forbidden.

- No item, which is available from a supplier on Victor Khanye's Local Municipality's database, may be purchased through Petty Cash.
- The only exception for above would be emergency purchases, after official business hours and this will be authorized by the respective departmental head.

Request for reimbursement

- The head of department must sign the order instruction and the receiver will sign the petty cash voucher
- The official signatory must ensure that funds are available on the budget, prior to submitting claims.
- An applicable vote number must be supplied on the Petty Cash voucher.
- Reason for purchase must be supplied.
- An official Petty Cash voucher must be used for all the above.

Securing of proper receipts for Petty Cash reimbursement

- An original receipt, signed by the person to be reimbursed, must support the Petty Cash voucher.
- Receipts must set forth the complete description of the purchase. If not identified on the receipt or cash register slip, the purchases must be itemized on a separate document, signed by the salesperson, and attached to the receipt.
- When a vendor's printed invoice is used as a receipt, the invoice must clearly indicate that it has been paid, containing the vendor's name and signed by the salesperson.

- Receipts that bear evidence of alteration cannot be accepted or processed.

Documentation control

- All documentation (Petty Cash voucher and receipts), applicable for the period between replenishments, must be kept in the lockable cash box which will always be kept in a locked, fire-and thief resistant safe
- With replenishment, the above documentation together with a reconciliation sheet, must be attached to the bank statement of procurement card / payment voucher.

Reconciliation

- A request for replenishment must be supported by a reconciliation sheet compiled by the Petty cash official.
- The above sheet must be signed by the Petty Cash official and authorized by the Accountant or Section head.
- Such reconciliation must be done at least once a month.
- A year-end reconciliation and replenishment must be done, at the 30th of June, by the Accountant: Expenditure.

Shortages/ Losses

The Petty Cash official will be held accountable for losses and shortages unless:

- Prescribed procedures were followed.
- Petty Cash was properly secured.
- There is physical evidence of breaking-in and no act or omission, on the part of the Petty Cash official, contributed to loss.

NB: Failure to adhere to the above after investigation will lead to the Petty Cash official having to re-imburse the losses and shortages

Transferral of function

- The Petty Cash official must perform a reconciliation and a summary report compiled, before possession of Petty Cash, can be handed over.
- The summary report must be signed by both the Petty Cash official and the recipient, in order to verify that the amount in cash, correspond with the balance on the summary report.
- When the Petty Cash is returned to the Petty Cash official, the same processes must be taken.
- In cases where the Petty Cash official is on leave for more than 5 (five) business days, the responsibility of safeguarding, as well as procedures set out by this policy, may be transferred to the next level official appointed by the Expenditure: Section Head.



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

INVENTORY MANAGEMENT POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:

INDEX

	Page No.
1. Definitions	2
2. Objective	3
3. Scope	3
4. Legal Framework	3
5. Accounting for Inventory	4
6. Inventory Procedures	5
7. Inventory Records	8
8. Reporting	9
9. Policy Adoption	9

ANNEXURES

Annexure A: Summary of Inventory Procedures	12
Annexure B: Stock Requisition Form	16
Annexure C: Fuel Requisition Form	17
Annexure D: Stock Card	18

1. DEFINITIONS

1.1 In this Policy, unless the context indicates otherwise, the following definitions are applied:-

<i>"Accounting Officer"</i>	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
<i>"Asset Control Officer"</i>	shall mean the person appointed as Asset Officer under section 6.2 below
<i>"Asset Officer"</i>	shall mean the person appointed as Asset Officer under section 6.2 below
<i>"Assistant Manager: Asset Management"</i>	shall mean the person appointed as Asset Officer under section 6.2 below
<i>"CFO"</i>	means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act No 56 of 2003
<i>"Cost"</i>	shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition
<i>"Delegated authority"</i>	means the official who is given the authority for relevant functions in terms of the municipality's written delegations;
<i>"Good received note"</i>	means a document which is used to acknowledge the receipt of goods in good condition and correct quantities
<i>"Inventories"</i>	are assets: In the form of material 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
<i>"Municipality"</i>	shall mean the Victor Khanye Local Municipality;
<i>"Net Realisable Value"</i>	Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution.

<i>"Obsolete Inventory"</i>	means items that have expired, are redundant or damaged;
<i>"Re-order level"</i>	means the level of inventory at which inventory is re-ordered;
<i>"Requisition form"</i>	means a written request to the Inventory Supervisor to supply specified inventory;
<i>"Store"</i>	means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;
<i>"Stores Clerical Assistant"</i>	means the official responsible for the receipt, issue and safeguarding of inventory and cost-effective and efficient management of inventory.
<i>"Stock requisition form"</i>	means a document which is used to authorize the removal or issue of stock items from stores.

2. OBJECTIVE OF THE POLICY

2.1 The policy aims to achieve the following objectives which are to:-

- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
- c) Eliminate any potential misuse of inventory and possible theft.

3. SCOPE

3.1 This policy applies to Victor Khanye Local Municipality's inventory received by the Asset Management Section and issued to users.

3.2 This policy specifically excludes:

- a) Water supplied to communities through water and sanitation infrastructure
- b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

4.1 In terms of the MFMA, the Accounting Officer for the municipality must:

- a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);
- b) Take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);
- c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1)(a) and (b).

5. ACCOUNTING FOR INVENTORY

5.1 Recognition of inventory

In terms of the paragraph 14 of GRAP 12:

Inventories shall be recognized as an asset if, and only if,

- a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- b) the cost of the inventories can be measured reliably

MEASUREMENT AT RECOGNITION

Inventories that qualify for recognition as assets shall initially be measured at cost

Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition

MEASUREMENT AFTER RECOGNITION

- .17 Inventories shall be measured at the lower of cost and net realization value, except where paragraph .18 applies
- .18 Inventories shall be measured at the lower of cost and current replacement cost 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.

RECOGNITION AS AN EXPENSE

- .44 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write -down of inventories ,arising from an increase in net realizable value, shall be recognized as a

reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

- 45 Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognized as an expense during the useful life of that asset

6 INVENTORY PROCEDURES

6.1 The procedures for inventory must be followed to ensure that:

- a) Inventory is safeguarded at all times;
- b) There are accurate records of quantities on hand at all times;
- c) Optimum inventory levels are maintained to meet the needs of users;
- d) Only authorised issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

6.2 Appointment of Responsible Officials

6.2.1 The Municipal Manager must appoint, in writing, an official to perform the duties of a Stores Clerical Assistant, an Asset Control Practitioner, an Asset Officer and an Assistant Manager: Asset Management in terms of this Policy, Section 238 of the Constitution of the Republic of South Africa, Section 59 of the Municipal Systems Act and Section 79 of the Municipal Finance Management Act.

6.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

6.3 Ordering of Inventory

6.3.1 The Financial Management System must set inventory reorder levels for all items as determined by the Stores Department. The inventory levels must indicate the minimum and maximum inventory that can be maintained.

6.3.2 Due diligence and care shall be exercised in identifying low value and high value items of inventory and informed by the availability of storage space, need and frequent usage.

6.3.3 Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.

6.3.4 When there is a need to purchase inventory, an official of the Stores Section will complete a request form detailing the items needed and their quantities and submit it to Supply Chain Management Section.

6.3.5 An official at the Supply Chain Management Section will initiate a process of requesting quotations from prospective suppliers or advertise for tender as per the Supply Chain Management Policy and Regulations.

6.3.6 The Supply Chain Management Section officials shall submit quotations received from prospective suppliers to officials at the Stores Section to fill an order instruction form in duplicate from a pre-numbered book, with the original copy attached to the quotations and the request form and given to officials at the Supply Chain Management Section to generate a purchase order.

6.3.7 The Supply Chain Management Unit will generate a purchase order which will then be forwarded to the supplier by an official of the Stores Section and another copy to the Stores Clerical Assistant to enable him/her to match the delivery notes to the order and the actual goods delivered. Another copy of the order and other related documents like quotations from suppliers and the order instruction to the Creditors Section for use in payment.

6.4 Receipt of Inventory

6.4.1 The quantity and quality of the inventory received from suppliers must be according to specifications and information on the order.

6.4.2 The Stores Clerical Assistant must compare the delivery note and the actual goods delivered to the purchase order before accepting the goods.

6.4.3 The invoice or delivery note must match the supplier name and order number.

6.4.4 The Stores Clerical Assistant must prepare the Goods Received Note to record all the inventory items ordered and in good condition.

6.4.5 The Stores Clerical Assistant must ensure that:

- a) All delivery notes are signed by him/her and the driver
- b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and
- c) The supplier signs all amendments

6.4.6 The inventory received must be transferred to the secured store by the Stores Clerical Assistant.

6.4.7 The inventories must be stored in their respective sections once they have been received as detailed in 6.5.

6.4.8 Any receipt of inventory must be updated and recorded on the stock cards.

6.4.9 The inventory stock cards and the Financial Management System must be updated on the day the goods are received, by the Stores Clerical Assistant and Asset Control Practitioner.

6.5 Storage of Inventory

6.5.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Asset Management Policy of the municipality.

6.5.2 The area must be used exclusively for the storage of inventory, with limited authorised access only.

6.5.3 Inventory must be positioned to facilitate efficient handling and checking.

6.5.4 All items must be stored separately, with proper segregation.

6.5.5 Inventory must be clearly labeled for easy identification. Inventory tag/stock cards or inventory labels may be used to identify each item and to aid in the physical verification of the items.

Details on stock cards should include the following:

- a) Goods Received Note number;
- b) Quantity received;
- c) Date of receipt;
- d) Quantity issued;
- e) Date of issue;
- f) Stock Issue Form number; and
- g) Closing stock.

6.5.6 Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.

6.5.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.

6.5.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.

6.5.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.

6.5.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft.

6.5.11 The Stores Clerical Assistant or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.

6.5.12 The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.

6.5.13 No unauthorised persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.

6.5.14 The following fire protection precautions must be adhered to:

- a) Inventories of flammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
- b) The area must be clearly signposted; and
- c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

6.6 Issue of Inventory

6.6.1 Only the Stores Clerical Assistant is authorised to issue inventory from the storeroom.

6.6.2 Inventory must only be issued in terms of the approved requisition form of the Municipality.

6.6.3 All requisition forms must be signed by the Stores Clerical Assistant and the person receiving the goods and a senior official authorizing the transaction.

6.6.4 The Stores Clerical Assistant must prepare the Stock Issue Note once stock items to be issued have been picked up from the shelves

6.6.5 The official receiving the inventory must acknowledge the receipt of stock items requested, by signing the Stock Issue Note prepared by the Stores Clerical Assistant.

6.6.6 Inventories must be issued and used for official purposes only.

6.6.7 Any issuing of inventory must be recorded on the stock cards.

6.7 Obsolete inventory

6.7.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Stores Clerical Assistant and verified by the Asset Officer.

6.7.2 The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.

6.7.3 The Disposal Committee should consist of at least three officials, one of whom must act as the chairperson.

6.7.4 The delegated authority may approve the write-off of inventory, if satisfied that: -

- a) The inventory has expired and is redundant;
- b) The inventory is of a specialised nature and has become outdated due to the introduction of upgraded and more effective products;
- c) The inventory cannot be used for the purpose for which it was originally intended; or
- d) The inventory has been damaged and is rendered useless.

6.7.5 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

6.8 Inventory count

6.8.1 Items may be subject to an inventory count on a monthly basis.

6.8.2 Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.

6.8.3 All approved Municipal procedures and processes must be complied with during the inventory count.

6.8.4 The Asset Officer must document in *Annexure B* and report to the CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.

- 6.8.5 The CFO must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Council of the Municipality for the write-off of any inventories losses, or the write-up of surpluses.
- 6.8.6 The appropriate disciplinary action must be instituted when applicable.
- 6.8.7 The inventory record, register, database or system must be updated accordingly.

7 INVENTORY RECORDS

- 7.1. An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.
- 7.2 All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
- a) Order number/date;
 - b) Item description;
 - c) Quantity and value of stock on hand;
 - d) Quantity and value of stock received;
 - e) Quantity and value of stock issued;
 - f) Re-order level;
 - g) Optimum inventory level;
 - h) Quantity and value of obsolete stock; and
 - i) Opening/closing balance.
- 7.3 Monthly stock counts must be carried out and reconciliations must be done by the Asset Officer on differences between the physical stock and the stock records on the Financial Management System and all records thereof must be submitted to the Assistant Manager: Asset Management.
- 7.4 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

8. REPORTING

- 8.1 A report must be submitted at least quarterly to the Chief Financial Officer detailing the following:
- a) Any inventory shortages or surpluses and the reasons for such;
 - b) Any inventory deficits proposed to be written-off; and
 - c) Any obsolete inventory items.
- 8.2 Inventories purchased during the financial year must be disclosed at cost in the disclosure notes of the Annual Financial Statements of the Municipality.
- 8.3 In terms of GRAP the financial statements shall disclose:
- a) the accounting policies adopted in measuring inventories, including the cost formula used,

- b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
- c) the carrying amount of inventories carried at fair value less costs to sell,
- d) the amount of inventories recognized as an expense during the period,
- e) the amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,
- f) the amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43,
- g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph .43, and
- h) the carrying amount of inventories pledged as security for liabilities.

9 POLICY ADOPTION

This policy has been considered and approved by the Council of Victor Khanye Local Municipality on this day..... of 2016.

ANNEXURE A:

PROCEDURES FOR ORDERING, RECEIPT, MAINTENANCE, ISSUING AND DISPOSAL OF STOCK

NO.	PROCEDURE	FREQUENCY
1.	Ordering of Inventory:	
1.1	Stores reorder levels must be set for all items by the Asset Officer which will be as follows: <ul style="list-style-type: none"> • Reorder Level • Maximum Level • Minimum Level • Emergency Level <p>The Stores Clerical Assistant :</p>	On-going
1.2	<ul style="list-style-type: none"> • Must use the listing as a primary source of information to complete the purchase requisition; and • Physical inspection of stock on shelves shall be conducted before the requisition is filled in 	On-going
1.3	A request form detailing the items needed and their quantities is filled and submitted to Supply Chain Management Section. Quotations from prospective suppliers are given to a Stores official who have to issue an order instruction and attach it to the quotations and request form and submit it to Supply Chain Management Section.	On-going
1.4	An order is generated by a Supply Management official and one copy given to Creditors/Expenditure Section, another copy to the Stores Clerical Assistant and another copy given to the Supplier.	On going
1.5	The order must be matched to the request form and order instruction to verify that the correct quantities and correct items have been ordered.	On going
1.6	The order with all the other documents must then be filed in alphabetical sequence at the Creditors Section.	On going
2.	Receipt of Stock:	
2.1	Goods will be delivered to the receiving area where the documentation will be recorded and then forwarded to the Stores Clerical Assistant.	On going
2.2	The receiving official must match the delivery note to the purchase order, and fill out a pre-numbered goods received note.	On going
2.3		On going

2.4	The Stores Controller / Store-man must compare the delivery note and actual goods delivered to the relevant order before accepting the goods.	On going
2.5	The goods received note must be signed by the Stores Controller / Store-man as proof of acceptance of the goods.	On going
2.6	Stock cards must be updated immediately on receipt of goods.	Periodically
	Goods that are unused after the completion of the work or the fulfilment of the purpose for which they were issued, must be returned to the store and must be included in stock.	
3.	Maintenance of Stores:	
3.1.	Inventory and equipment belonging to the Council must be clearly marked as such, to indicate ownership.	On going
3.2	Inventory belonging to the Council shall be kept in a place approved of by the Accounting Officer, subject to the conditions he or she determines.	On going
3.3	No section shall carry inventory in excess of its normal requirements, as may be determined by the Accounting Officer.	On going
3.4	The CFO shall ensure that at least once every financial year, stock-taking of all stores of the Council takes place as follows:	Annually
3.4.1	The financial year-end stock take will take place on the last day of the financial year or as close to that date as possible.	Annually
3.4.2	All Heads of Sections and the Council's external auditors must be notified of the date of the annual year end stock take.	Annually
3.4.3	Stores must be closed at noon the day before stock take. A notice to this effect must be prominently displayed on the stores notice board.	Annually
3.4.4	In the case of an emergency, stock items may only be issued on the explicit authority of the Asset Officer.	Annually
3.4.5	Prior to stock take, the Asset Officer must ensure that all transactions up to the date of stock take, have been recorded. All goods received notes, requisition issues and goods returned notes should be captured onto the Financial Management System.	Annually
3.4.6	An official delegated the responsibility, shall make available stock take listing sheets to auditors for recording the physical count figures.	Annually

3.4.7	Stock items must be counted in an orderly fashion from one end to the other, using the two count method by a store-man and by persons not dealing with stock on a regular basis.	Annually
3.4.8	Stock that has been drawn for use at a later date should be included in the stock-count and not expensed. Consumables should also be included in the stock-count and not expensed.	Annually
3.4.9	After each item is counted, they must be marked with a sticker to indicate that they have been counted.	Annually
3.4.10	After each item is counted, the total must be entered onto the stock sheets.	Annually
3.4.11	Stock sheets must be signed by counters and checkers.	Annually
3.4.12	On completion of the count, all stock sheets must be handed to the Assistant Manager: Asset Management.	Annually
3.4.13	Physical count figures will be verified to the computerised listing.	Annually
3.4.14	Should any discrepancies arise, a recount of the product is done, and the requisition entries are re-checked.	Annually
3.4.15	All write-offs of obsolete or damaged stock should be authorised by the CFO.	Annually
3.5.16	The Assistant Manager: Asset Management shall submit a report to the CFO stating the quantity and value of any surplus or shortage of stores revealed by the stock-take, together with the possible reasons for this.	Annually
3.5.17	The CFO shall then report such surpluses and shortfalls to the Council for further steps to be taken, if necessary.	Annually
3.5.18	A thorough internal control system must be established by the CFO to ensure that when a change of officials responsible for stores and equipment takes place, accountability with regard to losses and deficits can be clearly established.	Annually
4.	Issue of Stock:	
4.1	Only the Stores Clerical Assistant is authorized to issue goods from the General stores.	On going
4.2	Goods should only be issued in terms of a properly authorised requisition form.	On going
4.3	Specimen signatures of all persons authorized to sign requisitions shall be supplied to the Asset Officer.	On going

4.4	If the signature is not of an authorised official, the requisition should be sent back to the respective section.	On going
4.5	The Stores Clerical Assistant must verify that the correct vote or reference number is entered on the stock requisition for the type of goods requested.	On going
4.6	The Stores Clerical Assistant and recipient of goods must agree that the goods requisitioned, agree to the goods drawn from stores, which is consistent with the Stock Issue Note.	On going
4.8	The recipient must sign the stock requisition book as evidence that the goods stated on the issue note, have been received.	On going
4.9	The Stores Clerical Assistant must immediately update details of the issue on the stock card of each item issued.	On going
4.10	Once the stores have been issued, the requisition is captured into the Financial Management System and updated by the Asset Control Practitioner.	On going
5.	Disposal of Goods:	
5.1	The CFO must furnish the Council with a list of goods to be disposed of, together with the reasons for their disposal.	Periodically
5.2	The goods disposed of in the instance referred to above may only be handed over to the purchaser on full payment of the purchase price, or when other satisfactory arrangements for payment have been made with the CFO.	Periodically
5.3	Stores may be disposed of by public auction provided that the approval of Council is obtained.	Periodically

STOCK REQUISITION FORM

VICTOR KHANYE

815

No.

DATE:

[illegible]

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DATE
.....
RECEIVED BY
.....
AUTHORISED BY
.....

SIGNED BY IN REQUISITION REGISTER DATE

FUEL REQUISITION FORM

VICTOR KHANYE

TYPE OF FUEL:
 REQ. NO.:
 DATE:

[illegible]

VICTOR KHANYE LOCAL MUNICIPALITY

STORES STOCK CARD

DESCRIPTION:

UNIT OF ISSUE:

18 | 2. අනුප්පාදන



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

ASSET MANAGEMENT POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:

ABBREVIATIONS

AM	: Asset Management
AMS	: Asset Management System
CFO	: Chief Financial Officer
COGTA	: Department of Co-operative Governance and Traditional Affairs
EMES	: Department of Economic Service-Director
EPWP	: Expanded Public Work Programme
GAMAP	: General Accepted Municipal Accounting Practice
GIS	: Geographical Information System
GRAP	: Standard of Generally Recognized Accounting Practice
HR	: Human Resources
IAM	: Infrastructure Asset Management
IAMP	: Infrastructure Asset Management Plan
IAMS	: Infrastructure Asset Management Strategy
IAR	: Infrastructure Asset Register
IAS	: International Accounting Standards
IDP	: Integrated Development Plan
IT	: Information Technology
KPI	: Key Performance Indicators
LM	: Local Municipality
MFMA	: Municipal Finance Management Act
O&M	: Operation and Maintenance
OHSA	: Occupational Health and Safety Act
R	: Rand
SCM	: Supply Chain Management
SDBIP	: Service Delivery and Budget Implementation Plan
TOR	: Terms of Reference
VAT	: Value Added Tax
VKLM	: Victor Khanye Local Municipality

1. PURPOSE OF THIS DOCUMENT

This document indicated the policy of Victor Khanye Local Municipality (VKLM) for the management of its fixed assets. Detailed procedures are provided in a separate document. The policy commits the Municipality to establishing and maintaining an asset register that complies with the relevant accounting standards, as mentioned in paragraph 8. References, and managing the assets in a way that is aligned with the Municipality Strategy objectives and recognised good practice.

2. BACKGROUND

1.1 CONSTITUTIONAL AND LEGAL FRAMEWORK

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:

- 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 matter of local government.

The manner in which a municipality manages its PPE is central to meeting the above challenges. Accordingly the Municipal Systems Act (MSA) specifically highlights the duty of municipalities to provide services in a manner that is sustainable, and the Municipal Finance Management Act (MFMA) requires municipalities to utilise and maintain their assets in an effective; efficient, economical and transparent manner. The MFMA specifically places responsibility for the management of municipal assets with the Municipal Manager.

The OHS requires municipalities to provide and maintain a safe and healthy working environment, and in particular, to keep its fixed assets safe.

1.2 ACCOUNTING STANDARDS

The MFMA requires municipalities to comply with the standards of Generally Recognised Accounting Practice (GRAP), in line with international practice.

Key changes include the recognition of depreciation of assets as an expense, and conditional grant as revenue when it is utilised. A Government Grant Reserve and a Donations and Public Contribution Reserve are established, based on the source of funding. Immovable assets are unbundled and each significant component is individually recognised and accounted for. PPE are measured at cost, though in cases where it is impracticable to establish the cost (e.g. where there are no reliable records, or records cannot be linked to specific assets), the cost is deemed to be the fair value of the immovable PPE. In cases where there is an active market for assets, valuation is on a market basis, whereas specialised buildings (such as community facilities) and infrastructure (such as a water supply network) are valued using a depreciated replacement cost. Significant changes in the value of immovable property, plant and equipment over time may be reflected through periodic revaluation.

As a medium capacity municipality, VKLM was required to convert to applicable standard of GRAP on 01 July 2009.

1.3 MANAGEMENT OF INFRASTRUCTURE ASSETS

Effective management of infrastructure and community facilities is central to the municipality providing an acceptable standard of services to the community. Infrastructure impacts on the quality of the living environment and opportunities to prosper. Not only is there a requirement to be effective, but the manner in which the municipality discharges its responsibilities as a public entity is also important. The municipality must demonstrate good governance and customer care, and the processes adopted must be efficient and sustainable. Councillors and officials are custodians on behalf of the public of infrastructure assets, the replacement value of which amounts to several hundred million Rand.

Key themes of the latest generation of national legislation introduced relating to municipal infrastructure management include:

- Long-term sustainability and risk management;
- Services delivery efficiency and improvement;
- Performance monitoring and accountability;
- Community interaction and transparent processes;
- Priority development of minimum basic services for all, and
- The provision financial support from central government in addressing the needs of the poor.

Legislation has also entrenched the Integrated Development Plan (IDP) as the principal strategic planning mechanism for municipalities. However, the IDP cannot be compiled in isolation- for the above objectives to be achieved, the IDP need to be informed by robust, relevant and holistic information relating to the management of the municipality's infrastructure.

There is a need to direct limited resources to address the most critical needs, to achieve a balance between maintenance and renewing existing infrastructure whilst also addressing backlogs in basic services and facing ongoing changes in demand. Making effective decisions on service delivery priorities requires a team effort, with inputs provided by officials from a number of department of the municipality, including infrastructure, community services, financial planning, and corporate services .

COGTA has prepared guidelines in line with international practice that propose that an Infrastructure Asset Management Plan (IAMP) is prepared for each sector (such as water and sanitation, roads, electricity etc.). These plans are used as inputs into a Comprehensive Infrastructure Plan (CIP) that presents as integrated plan for municipality covering all infrastructure. The arrangements outlined in the COGTA guidelines are further strengthened by the provision of National Treasury's Local Government Capital Asset Management Guidelines. This is in line with the practice adopted in national and provincial spheres of government in terms of Government-wide Immoveable Asset Management Act (GIAMA).

Accordingly, the asset register adopted by a municipality must meet not only financial compliance requirements, but also set a foundation for improved infrastructure asset management practice.

3. OBJECTIVES

The objective of this policy is for the municipality to:

- Implement prevailing accounting standards ; and
- Apply asset management practice in a consistent manner and in accordance with legal requirements and recognised good practice.

4. APPROVAL AND EFFECTIVE DATE

The CFO is responsible for the submission of this document to Council to consider its adoption after consultation with the Municipal Manager. Council shall indicate the effective date for implementation of the policy.

5. KEY RESPONSIBILITIES

Municipal Manager

The Municipal Manager is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets.

The Municipal Manager shall ensure that:

- The municipality has and maintains a management, accounting and information system that accounts for the assets of the municipality;
- The municipality's fixed assets are valued in accordance with the standard of generally recognised accounting practice;
- That the municipality has and maintains a system of internal control for fixed assets, including as asset register; and
- The Directors and their teams comply with this policy.

As accounting officer of the municipality, the Municipal Manager shall be principal custodian of the entire municipality's assets, and shall be responsible for ensuring that this policy is effectively applied on adoption by Council. To this end, the Municipal Manager shall be responsible for the preparation, in consultation with the CFO and Directors, of procedures to effectively and efficiently apply this policy.

Chief Financial Officer

The Chief Financial Officer (CFO) is responsible to the Municipal Manager to ensure that the financial investments in the municipality's assets are safeguarded and maintained.

The CFO, as one of the Directors of the municipality, shall also ensure, in exercising his financial responsibilities that:

- Appropriate systems of financial management and internal control are established and carried out diligently;
- The financial and other resources of the municipality are utilised effectively, efficiently, economical and transparently;
- Any unauthorised, irregular or fruitless or wasteful expenditure, and losses resulting from criminal or negligent conduct, are prevented;
- All revenue due to the municipality is collected, for example rental income relating to immovable assets;
- The systems, procedure and registers required to substantiate the financial values of the municipalities assets are maintained to standards sufficient to satisfy the requirements of the Auditor-General;
- Financial processes are established and maintained to ensure the municipality's financial resources are optimally utilised through appropriate asset plans, budgeting, purchasing, maintenance and disposal decisions;
- The Municipal Manager is appropriately advised on the exercise of powers and duties pertaining to the financial administration of assets.
- The Directors and senior management teams are appropriately advised on the exercise of their powers and duties pertaining to the financial administration of assets;
- This policy and support procedures are established, maintained and effectively communicated.

The CFO may delegate or otherwise assign responsibility for performing these functions but will remain accountable for ensuring these activities are performed. The CFO shall be fixed asset registrar of the municipality and shall ensure that a complete, accurate and up-to-date computerised fixed asset register is maintained.

Assistant Manager: Asset Management

The Assistant Manager: Asset Management (as delegated by the Municipal Manager and the CFO) should ensure that:

- appropriate systems of physical management and control are established and carried out for all assets;
- the municipal resources assigned to them are utilised effectively, efficiently, economically and transparently;
- proper accounting processes and procedures are implemented in conformity with the municipal financial policies and the MFMA to produce reliable data for inclusion in the municipal asset register;
- the asset management systems, processes and controls can provide an accurate, reliable and up-to-date account of assets under their control;

The Assistant Manager: Asset Management may delegate or otherwise assign responsibility for performing these functions to employees in the Asset Management Section but will remain accountable for ensuring these activities are performed. No amendments, deletions or additions to the fixed asset register shall be made other than by the CFO or by the Assistant Manager: Asset Management acting under the written instruction of the CFO.

Directors

Directors (the managers directly accountable to the Municipal Manager) shall ensure that:

- The municipal resources assigned to them and their subordinates are utilised effectively, efficiently, economically and transparently;
- Any unauthorised, irregular or fruitless or wasteful utilisation, and losses resulting from criminal or negligent conduct, are prevented;
- They are able to manage and justify that the asset plans, budgets, purchasing, maintenance and disposal decisions optimally achieve the municipality's strategic objectives; and
- Together with the Assistant Manager: Asset Management, each Director must ensure that all office bound employees in his/her directorate has an updated asset inventory in his/her office available for inspection.

The Directors may delegate or otherwise assign responsibility for performing these functions to individual custodians and users of the assets but they shall remain accountable for ensuring these activities are performed.

6. POLICY AMENDMENT

Changes to this document shall only be applicable if approved by Council. Any proposals in this regard shall be motivated by the CFO in consultation with the

Municipal Manager and respective Directors. The recommendations of the CFO shall be considered for adoption by Council.

7. RELATIONSHIP WITH OTHER POLICIES

This policy, once effective, will replace the pre-existing Asset Management and Insurance Policy.

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Financial Regulations
- SCM Policy
- Tariff Policy
- Property Rates Policy
- Risk Management Policy
- Cash and Investment Management Policy
- Inventory Management Policy
- Loss Control Policy

8. REFERENCES

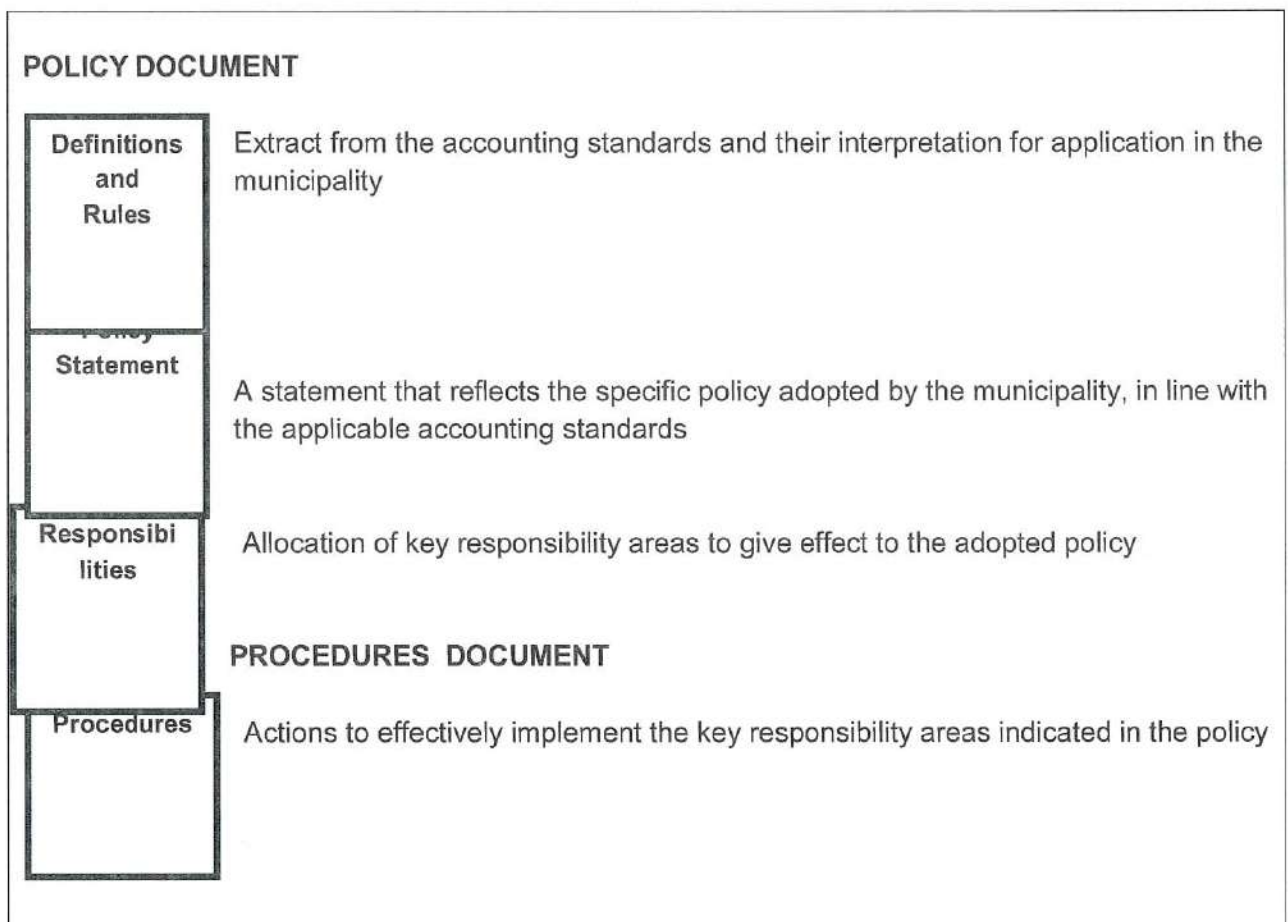
The following references were observed in compiling this document:

- Asset Management Framework, National Treasury, 2004
- Guidelines for Infrastructure Asset Management in Local Government, Department of Provincial and Local Government, 2006
- Local Government Capital Asset Management Guidelines, National Treasury, 2008
- Municipal Finance Management Act, 2003
- Disaster Management Act, 2002
- Municipal Systems Act, 2000
- Municipal Structures Act, 2000
- Accounting Standard Board
- MFMA Circular 18 & 44
- Government Gazettes (30013 and 31021)
- GRAP 1 – Presentation of Financial Statements
- GRAP 3 – Accounting Policies, Estimates and Errors
- GRAP 5 – Borrowing Costs
- GRAP 13 – Leases
- GRAP 16 – Investment Properties
- GRAP 17 – Property, Plant and Equipment
- GRAP 21 – Impairment of Non-Cash Generating Assets
- GRAP 23 – Revenue from Non-exchange Transaction (Donations)
- GRAP 26 - Impairment of Cash Generating Assets
- GRAP 31 – Intangible Assets

- GRAP 100 – Discontinued Operations
- GRAP 101 - Agriculture
- GRAP 103 – Heritage Assets
- Municipal Asset Transfer and Regulations - Government Gazette No.31346

9. POLICY FORMAT

Figure 1 gives an overview to the format of presentation of this policy document, and how it links to a separate document that provides the procedure.



10. POLICY FOR FIXED ASSET ACCOUNTING

10.1. RECOGNITION

a) Definitions and rules

Asset

An asset is defined as a resource controlled by an entity as a result of past events and from which future economic benefits or service potential associated with the item will flow to the entity.

Fixed Asset

A fixed asset (also referred to as "non-current asset") is an asset with an expected useful life greater than 12 months.

PPE

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, for rentals to other, or for administrative purposes; and are expected to be used during more than one period. This includes items necessary for environment or safety reasons to leverage the economic benefits or service potential from other asset. Insignificant items may be aggregated. Property, plant and equipment are broken down into groups of assets of a similar nature or function in the municipality's operations for the purpose of disclosure in the financial statements.

Immovable PPE

Immoveable assets are fixed structures such as buildings and roads. A plant that is built-in to the fixed structures and is an essential part of the functional performance of the primary asset is considered an immovable asset (though it may be temporarily removed for repair).

Heritage Assets

If the municipality holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

Investment Property

Investment property is defined as property (Land and/or a building, or part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or capitals appreciation, or both (rather than for use in the production or supply of goods or services or for administration purpose or sale in the ordinary course of operations). Examples of investment property are office parks, shopping centres or housing financed and managed by a municipality (or jointly with other parties). There is no asset hierarchy for investment property; each functional item will be individually recorded. Land held for a

currently undetermined use is recognised as investment property until such time as the land has been determined.

Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical substances. Examples are licenses/rights (such as water licenses), servitudes and software.

Servitudes

Servitudes are rights granted by a property owner to another person or entity to use the land for a certain purpose. Servitudes may be acquired through an agreement between parties, court order, statute or other means.

1) Creation of servitudes by way of legislation

- Municipalities receive certain rights regarding the creation of servitudes through legislation. For example a municipality may declare servitudes to be registered over certain parts of the land that falls within the boundaries of the proclaimed township so that the municipality can install infrastructure to provide basic services.
- No compensation is required to the landowner for servitudes granted to the municipality in terms of legislation. However costs may be incurred to register the servitudes with the Deeds Office.
- Servitudes granted under these conditions do not meet the "identifiable" criteria because:
 - it cannot be sold, transferred, rented or exchanged freely and are not separable from the municipality
 - they arise from rights granted in statute, as indicated earlier, are specifically excluded from the "identifiable" criteria (refer to the section on Identification for more detail).

The cost incurred to register these servitudes (if any) will be expensed and it should not be capitalised in accordance with GRAP 31.

2) Creation of servitudes by way of acquisition (including an agreement)

- A municipality may need a specific piece of land to install infrastructure, e.g. power cables. Where the landowner is compensated for the rights received associated with the land, the registered servitude may be accounted for as an intangible asset.

- Servitudes granted under these conditions meet the "identifiable" criteria as they arise from contractual or other legal rights that are acquired through a binding arrangement rather than by statute.
- The cost incurred to acquire the servitude (i.e. the compensation paid to the land owner) and any additional costs allowed by GRAP 31 (i.e. costs to bring the asset to the condition and location as intended by management) will be capitalised at initial recognition in accordance with GRAP 31.

Spares

Spares and materials used on a regular basis in the ordinary course of operations are usually carried as inventory (i.e. they are not usually considered fixed assets) and are expensed when consumed. Spares that constitute an entire or significant portion of a component type, or a specific component, defined in the immovable PPE asset hierarchy are considered capital spare parts and are recognised as an item of PPE immediately that they are available for use and in a location and condition necessary for it to be capable of operating in a manner intended by management.

Items used irregularly

Tangible items that are used in the production or supply of goods or services on an irregular basis (such as standby equipment) are recognised as items of PPE.

Useful life

Useful life is defined as the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by an entity.

Control

An item is not recognised as an asset unless the entity has the capacity to control the service potential or future economic benefit of the asset, is able to deny or regulate access of that benefit, and has the ability to secure the future economic benefit of that asset. Legal title and physical possession are good indicators of control but are not infallible.

Past transactions or events

Assets are only recognised from the point when some event or transaction transferred control to an entity.

Probability of the flow of benefits or service potential

The degree of certainty that any economic benefits or service potential associated with an item will flow to the municipality is

based on the judgement. The Municipal Manager shall exercise such judgement on behalf of the municipality, in consultation with the CFO and respective Director.

Economic benefits

Economic benefits are derived from assets that generate net cash inflow.

Service Potential

An asset has service potential if it has the capacity, singularly or in combination with other assets, to contribute directly or indirectly to the achievement of an objective of the municipality, such as the provision of services.

Leased assets

A lease is an agreement whereby the lesser conveys to the lessee (in this case, the municipality) the right to use an asset for an agreed period of time in return for a payment. Leases are categorised into finance and operating leases. A finance lease that transfers substantially all risks and rewards incident to ownership of an asset, even though the title may not eventually be transferred (substance over form). Where the risks and rewards of ownership of the assets are substantially transferred to the municipality, the lease is regarded as a finance lease recognised by the municipality. Where there is no substantial transfer of risks and rewards of ownership to the municipality, the lease is considered an operating lease and payment are expensed in the income statement on a systematic basis (straight-line basis over the lease term).

Asset custodian

The department that controls an asset, as well as the individual (asset custodian) that is responsible for the operations associated with such asset in the department, is identified by the respective Director, recorded, and communicated on recognition of the asset.

Reliable measurement

- b) Items are recognised that possess a cost or fair value that can be reliably measured in terms of this policy.

c) **Policy statement**

The municipality shall recognise all fixed assets existing at the time of adoption of this policy and the development of new, upgraded and renewed assets on an on-going basis. Such assets shall be capitalised in compliance with prevailing accounting standards.

d) **Responsibilities**

- The CFO and the Assistant Manager: Asset Management shall ensure that all assets owned by the Municipality are correctly recognised as assets according to the relevant

standards of GRAP and are incorporated into the Municipality's Asset Register.

- The Municipal Manager shall make recommendations to the Council as to the threshold monetary value for assets for which accelerated depreciation shall apply.
- The CFO shall keep a lease register with the following minimum information: name of the lesser, description of the asset, fair value of the asset at inception of the lease, lease commencement date, lease termination date, economic useful life of the asset, lease payments, and any restrictions in the lease agreement.
- Individual asset custodians, that are responsible for the operations associated with assets of the department as identified by the respective Director, shall be held responsible for the safekeeping and proper use of assets under their care and control.
- Directors and

10.2.CLASSIFICATION OF FIXED ASSETS

a) Definitions and rules

PPE of Asset Categories

The accounting categories of fixed assets are as follows:

1. Property, plant and equipment (which is broken down into groups of assets of a similar nature or function in the municipality's operations, that is shown as a single class for the purposes of disclosure in the financial statements);
2. Intangible assets; and
3. Investment property

Class of PPE

A class of PPE is defined as a group of assets of a similar nature or function in the municipality's operations. The total balance of each class of assets is disclosed in the notes to the financial statement.

PPE asset hierarchy

An assets hierarchy is adopted for PPE which enables separate accounting of parts (or components) of the asset that are considered significant to the municipality from a financial point of view, and for other reasons determined by the municipality including risk management(in other words, taking into account the criticality of components) and alignment with the strategy adopted by the municipality in asset renewal(for example the extent of replacement or rehabilitation at the end of life) In addition, the municipality may aggregate relatively insignificant items to be considered as one asset. The structure of the hierarchy recognises the functional relationship of assets and component

PPE Infrastructure

Infrastructure assets are immoveable assets which are part of a network of similar assets.

PPE Community Property

Community property assets are immoveable assets contributing to the general well-being of the community, such as community halls and recreation facilities.

Heritage Assets

Heritage assets are assets of cultural, historic or environmental significance, such as monuments, nature reserves, and work of art. Some heritage assets have more than one purpose, e.g. a historical building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. The municipality needs to determine whether the significant portion of the asset meets the definition of a heritage asset. The entity must use its judgement to make such assessment. The asset should be accounted for as a heritage asset if, and only, the definition of a heritage asset is met, and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose. If a significant portion is used for production, administrative purpose or supply of services or goods, the asset shall be accounted for in accordance with the Standard of GRAP on PPE.

PPE Building Property

PPE building property assets are buildings that are used for municipal operations such as administration building and rental stock or housing not held for capital gain.

Intangible Assets

Intangible assets are defined as identifiable non-monetary assets without physical substance. Example are licenses/right (such as water licenses), servitudes and software.

Investment Property

Investment property is defined as property (Land and/or a building, or a part thereof) held (by the owner or the lessee under a finance lease) to earn rentals or for capital appreciation, or both (rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operation). Examples of investment property are office parks, shopping centers or housing financed and managed by a municipality (or jointly with other parties). There is no asset hierarchy for investment property; each functional item will be individually recorder. Land held for a currently undetermined use is recognised as investment property until such time as the use of the land has been determined.

In the case of a fixed asset not appearing in the adopted classification structure, a classification that is most closely comparable to the asset in question is used.

b) Policy Statement

The following asset categories, sub-categories and groups shall be used at the highest level of the classification structure for fixed asset

CATEGORY	SUB CATEGORY	GROUP
Infrastructure assets	Electricity Network	HV Network(>33Kv)
		MV Network(< = 33Kv)
		LV Network(<1000V)
	Road and Storm-water Network	Roads
		Roads Structure
		Road Furniture
		Storm-water
	Water Supply Network	Boreholes
		Bulk Mains
		Dams & Weirs
		Distribution
		Distribution Points
		Pump Stations
		Reservoirs
		PRV Stations
		Water Treatment Works (WTW)
	Sanitation Network	Outfall Sewers
		Pump Station
		Reticulation
		Toilet Facilities
		Waste Water Treatment Works (WWTW)

Community Assets	Community Facilities	Halls/Centres
		Crèches
		Clinics/Care Centres
		Libraries/Museums /Galleries/Theatres
		Cemeteries/Crematoria
		Parks
		Public Open space
		Public Ablution Facilities
		Markets/Stalls/Shops
		Landfill Site
		Waste Transfer Stations
		Waste Processing Facilities
		Abattoirs
		Airports
		Bus Terminal/Taxi Ranks/Parking
Heritage Assets	Sport & Recreation Facilities	Indoor Facilities
		Outdoor Facilities
	Monuments	All
	Works of Art	All
	Conservation Area	All
	Historic Building	All
	Other heritage	All
		Municipal Offices

Other Assets	Operational Building	Pay/Enquiry Points
		Fire/Ambulance Stations
		Testing Stations
		Building Plan Office
		Workshops
		Yards/Depots
		Stores
		Laboratories
	Housing	Staff Housing
		Social Housing
	Operational Plant & Equipment	All
	Capital Spares	Capital Spares-Electricity
		Capital Spares-Road, rails and storm-water
		Capital Spares-Water Supply
		Capital Spares-Sanitation
		Capital Spares-Community & Other assets
Investment Property	Investment Property	Improved Property
		Unimproved Property
	Servitudes	Electricity Servitudes
		Road Access Servitudes

Intangible Assets		Rail Servitudes
		Storm-water Servitudes
		Water Servitudes
		Sanitation Servitudes
	Licenses, Rights	Water Rights
		Effluent Licenses
		Solid Waste Licenses

Asset hierarchies shall be adopted for each of the PPE asset group, separately identifying items of PPE at component level that are significant from a financial or risk perspective, and, where applicable, grouping items that are relatively insignificant. Land associated with Community Property, Heritage Property, Heritage Assets and Building Property shall be included at component level.

PPE shall be disclosed in the financial statements at the sub-category level.

The CFO will consider the recognition of assets as heritage assets according to the relevant Standard of GRAP and motivate their recommendation for adoption by council.

c) Responsibilities

- The CFO, the Deputy CFO and the Assistant Manager: Asset Management shall ensure that the classification of assets adopted by the municipality complies with the statutory requirements.
- The CFO shall consult with the Deputy CFO and the Assistant Manager: Asset Management to determine an effective and appropriate asset hierarchy for each class of assets to component level and record such in the Asset Management procedures documents.

10.3. IDENTIFICATION

a) Definition and Rules

Asset coding system

An asset coding system is the means by which the municipality is able to uniquely identify each asset (at the lowest level in the adopted asset hierarchy) in order to ensure that it can be accounted for on an individual basis.

b) Policy Statement

A coding system shall be adopted and applied that will enable each asset (with PPE at the lowest level in the adopted asset hierarchy) to be uniquely and readily identified.

c) Responsibilities

- The Municipal Manager shall develop and implement an asset coding system in consultation with the CFO and other Assistant Manager: Asset Management to meet the policy objective.
- Directors shall ensure that all the assets under their control are correctly coded.

10.4.ASSET REGISTER

a) Definitions and Rules

Fixed Asset Register

A fixed asset register is a database with information relating to each asset. The fixed asset register is structured in line with the adopted classification structure. The scope of data in the register is sufficient to facilitate the application of the respective accounting standard for each of the asset classes, and the strategic and operational asset management needs of the municipality.

Completeness of Data

It is recognised that it may not be practicable to complete all the required fields when compiling the initial asset register when converting to the new GRAP standards of accounts. However, processes have to be established so that all the data fields can be completed on an on-going basis on adoption of this policy.

Updating data in the Asset Register

The fixed asset register is updated by an Assistant Manager: Asset Management only when authorised and instructed to do so by the CFO.

b) Policy Statement

A fixed asset register shall be established to provide the data required to apply the applicable accounting standards, as well as other data considered by the municipality to be necessary to support strategic asset management planning and operational management needs. The fixed asset register shall be updated and reconciled to the general ledger on a regular basis.

c) Responsibilities

- The CFO and the Deputy CFO shall define the format of the fixed asset register in consultation with the Municipal Manager and the Assistant Manager: Asset Management, and shall ensure that the format complies with the prevailing accounting standards.

- The Assistant Manager: Asset Management must collect all data required to establish and update the asset register in a timely fashion.
- The CFO and the Deputy CFO shall establish procedure to control the completeness and integrity of the asset register data.
- The CFO and the Deputy CFO shall ensure proper application of the control procedures.

10.5. MEASUREMENT AT RECOGNITION

a) Definitions and rules

Measurement at recognition of Property, Plant and Equipment

An item of assets that qualifies for recognition is measured at cost. Where an asset is required at no or nominal cost (for example in the case of donated or developer-created assets), its cost is deemed to be its fair value at the date of acquisition. In cases where it is impracticable to establish the cost of an item of assets, such as on recognising assets for which there are no records or records cannot be linked to specific assets, its cost is deemed to be its fair value.

Measurement at recognition of investment property

Investment property will be measured at cost including transaction cost at initial recognition. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or nominal value), its cost is its fair value at the date of acquisition.

Measurement at recognition of intangible assets

Intangible assets will be measured at cost at initial recognition. Where assets are acquired for no or nominal consideration, the cost is deemed to equal the fair value of the asset on the data acquired.

Fair Value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market values obtained from a qualified valuer can be used where there is an active and liquid market for asset (For example: land and some types of plant and equipment). In the case of specialised buildings (Such as community buildings) and infrastructure where there is no such active and liquid market, a depreciation replacement cost (DRC) approach may be used. Assessment of fair value ate to be made by professional with qualifications and appropriate knowledge and experience in valuation of the respective assets.

Cost of an Item of Infrastructure

The capitalisation value comprises (i) purchase price and (ii) any directly attributable cost necessary to bring the asset to its location

and condition necessary for it to be operating in the manner intended by the municipality, plus (iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. VAT is excluded (unless the municipality is not allowed to claim input VAT paid on purchase of such assets- in such an instance, the municipality should capitalise the cost of the asset together with VAT).

Cost associated with heritage assets

Costs incurred to enhance or restore a heritage asset to preserve its indefinite useful life should be capitalised as part of the cost of the asset. Such costs should be recognised in the carrying amount of the heritage asset as incurred.

Directly Attributable Costs

Directly attributable costs are defined as:

- Cost of employee benefits arising directly from the construction or acquisition of the item.
- Costs of site preparation;
- Initial delivery and handling;
- Installation and assembly costs, cost of testing whether the asset is functioning properly, after deduction the net proceeds from selling an item produced while bringing the asset to that location and condition;
- Commissioning (Cost of testing the asset to see if the asset is functioning properly, after deducting the net proceeds from selling an item produced while bringing the asset to its current condition and location,); and
- Professional fees (for example associated with design fees, supervision, and environmental impact assessments)(in the case of all asset classes)

Changes in the existing decommissioning costs or Restoration costs included in the costs of an item

Changes in the measurement of an existing decommissioning cost or restoration cost as a result of changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, should be treated as follows:

1. If the cost model is used-
 - Changes in the liability shall be added to or deducted from the cost of the related asset.
 - If the amount deducted from the cost of the asset exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
 - If the adjustment results in an additional to the cost of an asset, the municipality should consider whether this is an indication that the carrying amount

may not be recoverable. In this case the municipality should test the asset for impairment.

2. If the revaluation model is used-

- A decrease in the liability shall be credited to the revaluation surplus, except that it shall be recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in the surplus or deficit; and
- An increase in the liability shall be recognised in surplus or deficit, except that it shall be debited to the revaluation surplus to the extent that any credit balance may exist in the revaluation surplus in respect of asset.
- If the decrease in liability exceeds the carrying amount that would have recognised if the asset has been carried under the cost model, the excess shall be recognised immediately in the surplus or deficit.
- If the change in liability is an indication the asset may have to be re-valued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to surplus or deficit and net assets as discussed above. If a revaluation is necessary, all assets of that class shall be revalued.

Exchange Assets

In cases where assets are exchanged, the cost is deemed to be fair value of the acquired asset and the disposed asset is de-recognised. If the acquired asset is not measured at its fair value, its cost price will be the carrying amount of the asset given up.

Finance Leases

A finance lease is recognised by the municipality (the lessee) at the commencement of a lease as an asset and liability in the statement of financial position at equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease contract, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct cost of the lessee is added to the amount recognised as an asset.

Depreciated replacement cost

The depreciated replacement cost (DRC) approach requires information on the expected useful life (EUL), residual value (RV), current replacement cost (CRC), and remaining useful life (RUL) of each of the asset components. The CRC is the product of a unit rate and the extent of the component and represents the cost of replacing the asset, and in cases where the existing asset is obsolete, the replacement with a modern equivalent. The depreciable portion cost (DRC) is established by proportionately reducing the depreciable portion based on the fraction of the remaining useful life over the expected useful life. Accordingly, the following formula is used:

$$\text{DRC} = (\text{CRC} - \text{RC}) \times \text{RUL} / \text{EUL} + \text{RV}$$

Replacement costs are "green field", unless there is evidence of definite cost variance due to "brown-field" modifications. Capital unit costs vary from site to site and provision is made for site specific influencing factors (e.g. topography). Capital unit costs are also influenced by macro-economic driving forces such as "supply-and-demand", economy of scale, financial markets and availability of contractors, and the impact of these factors are reflected in the capital unit rates where applicable. Adjustments of assets for escalation to the valuation date are applied.

Self-constructed Assets

Self-constructed assets relate to all assets constructed by the municipality itself or another party on instructions from the municipality. All assets that can be classified as fixed assets and that are constructed by the municipality should be recorded in the asset register and each component that is part of this asset should be depreciated over its estimated useful life for that category of asset. Proper records are kept such that all costs associated with the construction of these are completely and accurately accounted for as capital under construction, and upon completion of the asset, all costs (both direct and indirect) associated with the construction of the asset are summed and capitalised as an asset.

Construction of future investment property

If property is developed for future use as an investment property, such property shall in every respect be accounted for as Property, Plant and Equipment until it is ready for its intended use-then it shall be classified as an investment property.

Borrowing costs

Borrowing costs are interest and other costs incurred by the municipality from borrowed funds. The items that are classified as borrowing costs include at 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 borrowings when these are regarded as an adjustment to interest costs. Borrowing costs shall be capitalised if related to construction of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) and external funding is sources to fund the project, i.e.: interest during construction".

In the following cases it is inappropriate to capitalise borrowing costs:

- It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded i.e. capital or current. In such case, the municipality shall expense those borrowing costs related to a qualifying asset directly to the statement of financial; performance.
- In exceptional cases the municipality is allowed to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. It may be difficult for the municipality to identify a direct relationship between an asset and borrowing costs incurred because the financial activity is controlled centrally and it will not always be possible to keep track of the specific borrowing costs which should be allocated to the qualifying asset. As a reasonable effort and cost may outweigh the benefit of presenting the information, making it inappropriate to capitalise the borrowing cost.

Deferred payment

The cost of an asset is the cash equivalent at the recognition date. If the payment of the cost price is deferred beyond normal credit terms, the difference between the cash price equivalent (the total cost price is discounted to the asset's present value as at the transaction date) and the total payment is recognised as an interest expense over the period of credit unless such interest is recognised in the carrying value of the asset in accordance with the allowed alternative treatment in the Standard on Borrowing Costs, GRAP 5.

b) Policy Statement

Fixed asset that qualify for recognition shall be capitalised at cost. Interest on deferred payment will be expensed.

In cases where complete data is not available or cannot be reliably linked to specific assets:-

- The fair value of Property, Plant and Equipment, (infrastructure, community property and building property) shall be adopted on the recognition at a fair measurement.

- If the cost of heritage assets cannot be measured reliably, this should be disclosed in the notes to the financial statements together with a description of the nature of the asset.
- Investment property and intangible assets shall be measured at fair value on date of acquisition.

d) Responsibilities

- The Assistant Manager: Asset Management, in consultation with the Deputy CFO and the CFO shall determine effective procedures for the capitalisation of fixed assets on recognition.

10.6. MEASUREMENT AFTER RECOGNITION

a) Definitions and Rules

Options

Accounting standards allow measurement after recognition of assets as follows:

- Property, Plant and Equipment and intangible assets: on either a cost or revaluation model; and
- Investment Property: either cost model or the fair value model.

Different models can be applied, providing the treatment is consistent per asset class.

Cost Model

When the cost model is adopted, a fixed asset is carried after recognition at its cost less any accumulated depreciated and any accumulated impairment losses.

Revaluation Model

When the revaluation model is adopted an asset is carried after recognition at a re-valued amount. Being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. When revaluations are conducted, the entire class of assets should be re-valued. Revaluation is to be executed by persons with suitable professional qualifications and experience. Any change to an asset's carrying amount as a result of revaluation, is credited (or deducted from any surplus from previous revaluations if the re-valued amount decrease from the previous re-valued amount) in the Revaluation Reserves.

The revaluation surplus is transferred to the Accumulated Surplus (Deficits) Account on de-recognition of an asset. An amount equal to the difference between the new (enhanced) depreciation expense and the depreciation expenses determined in respect of such immovable asset before the revaluation in question may be transferred from the Revaluation Reserve to the municipality's Accumulated Surplus/Deficit Account. An adjustment

of the aggregate transfer is made at the end of each financial year. If carrying amount based on the revaluation is less than the carrying value of the immovable asset recorded in the fixed asset register, the carrying value of such asset is adjusted by increasing the accumulated depreciation of the immovable asset in question by an amount sufficient to adjust the carrying value to the value based on the revaluation. Such additional depreciation expenses form a charge, in the first instance, against the balance in any Revaluation Reserve previously created for such asset, and to the extent that such balance is sufficient to bear the charge concerned, an immediate additional charge against the department or vote controlling or using the asset in question in.

Investment Property

When the fair value model is adopted, all investment property should be measured at its fair value except when the fair value cannot be determined reliably on a continuing basis. The gain or loss from the change in fair the fair value of investment property shall be included in the surplus or deficit for the period in which it arises. The fair value of the investment property shall reflect market conditions at the date. Investment property shall be valued on an annual basis. All fair value adjustments shall be included in the surplus or deficit for the financial year.

Statutory inspections

The cost of a statutory inspection that is required for the municipality to continue to operate immovable assets is recognised at the time the cost is incurred, and any previous statutory inspection cost is de-recognised.

Expenses to be capitalised

Expenses incurred in the enhancement of assets (in the form of improved or increased services or benefits flowing from the use of such asset), or in the material extension of the useful operating life of assets are capitalised. Such expenses are recognised once the municipality has beneficial use of the asset (be it new, upgraded, and/or renewed)-prior to this, the expenses are recorded as work-in-progress. Expenses incurred in the maintenance or repair (reinstatement) of assets that ensures that the useful operating life of the asset is attained, are considered as operating expenses and not capitalised, irrespective of the quantum of the expenses concerned.

Spares

The location of capital spare shall be amended once they are placed in service, and re-classified to the applicable assets asset sub-category.

b) Policy Statement

Measurement after recognition shall be on the following:-

- Immoveable Assets: Cost Model.
- Moveable Assets: Cost Model.
- Heritage Assets: Cost Model.
- Investment Property: Cost Model.
- Intangible Assets: Cost Model.

Changes in asset value as a result of revaluation shall be reflected in a Revaluation Reserve.

c) Responsibilities

- The Assistant Manager: Asset Management, in consultation with the Deputy CFO and the CFO, shall determine suitable measurement of the value of assets after recognition, in accordance with the applicable Standards of Generally Recognised Accounting Practice.
- Information contained in documents of newly acquired assets on the estimated useful lives and asset maintenance periods or intervals is used to determine the relevant.
- The Assistant Manager: Asset Management in consultation with the Assistant Manager: Project Management must collect all the relevant information for the calculation and presentation of work-in-progress in the Fixed Asset Register.

10.7. DEPRECIATION

a) Definition and Rules

Depreciation

Depreciation is the systematic allocation of the depreciation amount of an asset over its remaining useful life. The amortisation of intangible assets is identical.

Land is considered to have unlimited life; therefore it is not depreciated. Heritage assets are also not depreciated.

Residual value

The residual value 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 assets are indicated in ANNEXURE A and B in the form of a percentage. In the case of assets measured after recognition on the cost model, the percentage is of the initial cost of acquisition. In the case of assets measured after recognition on the revaluation model, the percentage is of the modern equivalent replacement value.

Depreciation Method

Depreciation of assets is applied at the component level. A range of depreciation methods exist and can be selected to model consumption of service potential or economic benefit (for example the straight line method, diminishing amount method, fixed percentage on reducing balance method, sum of the year digits method, production unit method). The approach used should reflect the consumption of the future economic benefits or services

potential, and should be reviewed annually where there has been a change in the pattern of consumption.

Remaining useful life

The remaining useful life of a depreciable asset is the time remaining until an asset ceases to provide required standard of performance or economic usefulness.

The remaining useful life of all depreciable assets at initial recognition is the same as the expected useful life indicated in ANNEXURE A and B these figures have been established using available information on industry norms, experience of local influencing factors (such as climate, geotechnical conditions and operating conditions), the life-cycle strategy of the municipality, potential technical obsolescence, and legal limits on the use of the assets.

Annual review of remaining useful life

The remaining useful lives of depreciable assets are reviewed every year at the reporting date. Changes may be required as a result of new, updated or more reliable information being available.

Assets that have come to the end of their estimated useful lives but are still used and are in good condition may have their remaining useful lives revised in order to reflect the current condition of the assets.

Changes may also be required as a result of impairments (as contemplated in Section 10.8 of this policy). Depreciation charges in the current and future reporting periods are adjusted accordingly, and are accounted for as a change in an accounting estimate.

Depreciation charge

Depreciation starts once an asset is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when it is de-recognised. Depreciation is initially calculated from the day when an item of PPE is acquired or in the case of construction works and plants and machinery- the day in which the asset is available for use, until the end of the calendar month concerned. Therefore, depreciation charges are calculated monthly.

Carrying Amount

The carrying amount is the cost price/fair value amount after deducting any accumulated depreciation and accumulated impairment losses.

Spares

The depreciation of capital spares commences immediately when it is available and in the location and condition necessary for it to be

capable of operating in the manner intended by management. The depreciation continues once they are placed in services, or subsequently removed from services.

Finance Lease

Depreciation assets financed through a finance lease will give rise to a depreciation expense and finance cost which will occur for each accounting period. The depreciation policy for depreciable leased assets shall be consistent with the policy of depreciable owned assets, and the depreciation recognised shall be calculated in accordance with the Standard on Property, Plant and Equipment, GRAP 17. If there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term, the asset will be fully depreciated over the asset's useful life.

b) Policy Statement

All assets, except land and heritage assets, shall be depreciated over their remaining useful lives. Intangible assets (except servitudes) will be amortised over their remaining useful life. The method of depreciation will be reviewed on an annual basis, though the straight line basis shall be used in all cases unless Council determines otherwise.

c) Responsibilities

- The Deputy CFO and the CFO shall ensure that a budgetary provision is made for the depreciation of all assets of the Municipality in the ensuing financial year, in consultation with the Assistant Manager: Financial Reporting.
- The CFO, the Deputy CFO and the Assistant Manager: Asset Management shall indicate a fixed annual date for the review of the remaining useful life of all assets recorded on the Asset Register.
- The Assistant Manager: Asset Management in consultation with the Deputy CFO, the CFO and individual custodians or users of assets shall annually review the expected useful life and residual values of assets and the depreciation method of assets and motivate to the Municipal Manager and CFO any adjustments if, in the judgement of the Assistant Manager: Asset Management and the custodian, such are not considered appropriate. Changes should not be made on a continuous basis because the accounting principle of consistency would be violated.
- The CFO shall report changes made to the remaining useful life of ASSETS in the asset register to the Municipal Manager and Council.
- The Deputy CFO and the CFO shall ensure that depreciation charges are debited on a monthly basis and that the fixed asset register is reconciled with the general ledger.

10.8. IMPAIRMENT

a) Definition and Rules

Impairment

Impairment is defined as the loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the assets future economic benefits or service potential through depreciation.

Indications of impairment

The municipality must review assets for impairment when one of the indicators below occurs or at least at the end of each reporting period. In assessing whether there is any indication that an asset may be impaired, an entity shall consider as a minimum the following indicators:

- External Sources of Information:
- Decline or cessation in demand;
- Changes in the technological, Legal or government policy environment;
- The carrying amount on the net assets of the entity is more than its market capitalisation; or
- Market interest rates have increased during the period, and those increases are likely to affect the discount rate used in calculating an assets value in use and decrease the assets recoverable amount materially.
- A halt in construction could indicate impairment. Where construction is delayed or postponed to a specific date in the future, the project may be treated as work in progress and not considered as halted.
- Internal Sources of Information:
- Evidence of Physical Damage;
- Evidence of obsolescence;
- Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or a manner in which, an asset is used or is expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Cash flow for acquiring an asset or maintenance cost thereafter is higher than originally budgeted;
- The actual net cash flow or operating profit or loss flowing from an asset ate significantly worse than those budgeted;
- A significant decline in budgeted net cash flow or operating profit, or a significant increase in the budget loss; flowing from the asset; or
- Operating losses or net cash outflows for the asset, when current period amounts are aggregated with budgeted amounts for the future.

i) Other indications, such as loss of market value.

Impairment of projects under construction

In assessing whether a halt in construction would trigger an impairment test, it should be considered whether construction has simply been delayed or postponed, whether the intention to resume construction in the near future or whether the construction work will not be completed in the foreseeable future. Where construction is delayed or postpones to a specific future date, the project may be treated as work in progress and is not considered as halted.

Intangible assets

The municipality must test all intangible assets not yet available for use or which have an indefinite useful life for impairment. This impairment test may be performed at any time during the reporting period it is performed at the same time every year.

Significant and Enduring nature

The municipality must only record impairments that are significant and have an enduring adverse effect (material and long-term impact). The events and circumstances in each instance must be recorded. Where there are indications of impairment, the municipality must estimate the recoverable services amount of the asset and also consider adjustment of the remaining useful life, residual value, and method of depreciation.

Impairment loss

An impairment loss of a non-cash-generating unit or asset is defined as the amount by which the carrying amount of an asset exceeds its recoverable service amount. The recoverable service amount is the higher of the fair value less costs to sell and its value in use.

An impairment loss of a cash-generating unit (smallest group of assets that generate cash flows) or asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use.

Non-cash generating units

Non-cash-generating units are those assets (or group of assets) that are not held the primary objective of regenerating a commercial return. This would typically apply to assets providing goods or services for community or social benefit. The recoverable amount is the higher of the assets fair value less cost to sell and its value in use. It may be possible to determine the fair value even if the asset is not traded in an active market. If there is no binding sales agreement or active market for an asset, the fair value less cost to sell is based on the best information available to reflect the amount

that an entity could obtain. However, sometimes it will not be possible to determine the fair value less cost to sell because there is no basis for making reliable estimates of the amount obtainable. For non-cash regenerating assets which are held on an on-going basis to provide specialised services or public goods to the community, the value in use of the assets is likely to be greater than the fair value less cost to sell. In such cases the municipality may use the assets value in use as its recordable service amount. The value in use of non-cash regenerating unit/asset is defined as the present value of the assets remaining service potential. This can be determined using any of the following approaches:

- The Depreciated Replacement Cost (DRC) approach (and where the asset has enduring and material over-capacity, for example in cases where there has been a decline in demand, the Optimised Depreciation Replacement Cost (ODRC) approach may be used);
- The restoration cost approach (the Depreciation Replacement Cost less cost of restoration)-usually used in cases where there has been physical damage; or
- The service unit approach (which could be used for example where a production unit's model of depreciation is used).

Where the present value of an assets remaining service potential(determined as indicated above)exceeds the carrying value, the asset is not impaired-this will normally be the case unless there has been a significant and enduring event as indicated above.

Cash-generating unit

Cash-generating units are those assets held with the primary objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity. Holding as asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows the asset (or from part of the cash-generating unit of which the asset is a part) and earn a commercial return that reflects the risk involved in holding the asset. When the cost model is adopted, fair value is determined in accordance with the rules indicated for measurement after recognition. Costs to sell are the costs directly attributable to the disposal of the asset (for example agent fees, legal costs), excluding finance costs and income tax expenses. The value in use determined by estimating the future cash inflows and outflows from the continuing use of the asset and the net cash flows to be received or(paid) for the disposal of the assets at the end of its useful life, including factors to reflect risk in the respective cash-flows and the time value of money.

Judgement

The extent to which the asset is held with the objective of providing a commercial return needs to be considered to determine whether

the asset is a cash generating or non-cash generating asset. An asset may be held with the primary objective of generating a commercial return even though it does not meet that objective during a particular reporting period. Conversely, an asset may be non-cash generating asset even though it may be breaking even or generating a commercial return during a particular reporting period. In some cases it may not be clear whether the primary objective of holding an asset is to generate a commercial return. In such cases it is necessary to evaluate the significance of the cash flows. It may be difficult to determine whether extent to which the asset generates cash flows is so significant that the asset is a non-cash-generating-or a cash-generating asset. Judgement is needed in these circumstances.

Recognition of Impairment

The impairment loss is recognised as an expense when incurred (unless the asset is carried at a re-valued amount, in which case the impairment is carried as a decrease in the Revaluation Reserve, to the extent that such reserve exists). After the recognition of an impairment loss, the depreciation charge for the asset is adjusted for future periods to allocate the assets revised carrying amount, less its residual value(if any), on a systematic basis over its remaining useful life.

When no future economic benefit is likely to flow ab asset, it is derecognised and the carrying amount of the asset at the time of de-recognition, less any economic benefit from the de-recognition of the asset, s debited to the Standard of Financial Performance as a " Loss on Disposal of Asset".

In the event of compensation received for damage to an item of immovable ASSETS, the compensation is considered as the assets ability to generate income and is disclose under Sundry Revenue; and the asset is impaired/de-recognised.

Reversing the impairment loss

The municipality must assess each year from the source of information indicated above whether there is any indication that an impairment loss recognised in previous years may no longer exist or may have decreased. In such cases, the carrying amount is increase to its recoverable amount (providing that it does not exceeds the carrying amount that would have determined had no impairment loss been recognised in prior periods). Any reversal of an impairment loss is recognised as a credit in surplus or deficit.

b) Policy Statement

Impairment of fixed assets shall be recognised as an expense in the Statement of Financial Performance when it occurs. Ad-hoc impairment shall be identified as part of normal operational management as well as scheduled annual inspections of the assets.

In this regard, the municipality considers itself an entity whose primary objective is to provide goods and services for community or social benefits, and where positive cash flows are generated(such as from sale of trading services such as water services), these are with view to support the primary objective rather than for financial return to equity holders. Consequently the municipality adopts the impairment treatment for non-cash generating units in the impairment of its assets and associated intangible assets.

c) Responsibilities

- The CFO shall indicate an annual date for the review of any impairment that may have occurred on assets under the control of the respective Directors.
- During verification of assets, the verification team shall review the condition of assets if they are indications of an impairment on the assets and capture the relevant information on the verification devices. The information about the condition of assets will then be used at the annual review date of impairment of assets.
- The custodians and users of assets may through their Directors motivate to the CFO proposed changes to the performance of such assets and the necessary impairment that needs to be recognised on such assets.
- During verification, the Asset Management staff should evaluate all fixed assets for impairment, taking into consideration and discussing with custodians and users and Departmental Managers.
- The Assistant Manager: Asset Management, through consultation with the Deputy CFO and the CFO should update the fixed asset register with the information received, relating to the impairment, from the verification system and other information sources and decisions taken in this regard.
- The CFO shall report changes made to the carrying value of these assets in the asset register to the Municipal Manager and Council.

10.9 DE-RECOGNITION

a) Definition and rules

De-recognition

Assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The carrying amount of the asset and the net disposal proceeds (or cost of de-commissioning and /or disposal of the asset) shall be included in the surpluses of (deficit) for the year when the item is derecognised.

Assets that are associated with the provision of basic services cannot be disposed without the approval of Council.

Government Gazette no 31346 sets out the regulations regarding municipal asset transferred and disposals, for example type of assets that need approval to be disposed or transferred, timeframes and Council approval.

Disposal of fixed assets should be at fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent (the total proceeds discounted to the present value as at the transaction date). The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

b) Policy Statement

Assets for which no future economic benefits or service potential are expected shall be identified and method of disposal and the association costs or income considered by Council. The carrying amount of the asset shall be derecognised when no future economic benefits or service potential are expected from its use or its disposal.

c) Responsibilities

- Fixed assets shall be derecognised only on the recommendation of the Director of the department controlling the asset, and with the approval of the Municipal Manager and Council.
- Every Director shall report to the CFO on fixed assets which such Director wishes to have derecognised, stating in full the reason for such recommendation, indicating whether or not the assets are associated with the provision of basic services. The CFO shall consolidate all such reports, and shall promptly make a submission to the Municipal Manager on the fixed assets to be derecognised, the proposed method of disposal, and the estimated cost or income from such disposal. The Municipal Manager shall consider the submission and make recommendations to the Council for adoption.
- Assets that are replaced in the nominal course of the life-cycle renewal should be derecognised and removed from the asset register.
- The Municipal Manager, in consultation with the CFO and the Directors shall formulate norms and standard from the replacement of all fixed assets.

d) Assets under investigation

The assets are only removed from the assets register once the investigation is complete and the decision to remove them has been approved by the relevant authority.

Therefore the assets still under investigation at year end will still be part of the asset register as much as they are disclosed as under investigation.

- e) Assets that could not be found during the asset verification exercise should be documented in a loss control register, which is ventilated in the Loss Control Committee. These discrepancies must be followed up and investigated. The outcome of the investigation will determine whether the asset has been lost, stolen, or possibly sold but not updated. Where the asset has been lost or stolen the authorisation process should be followed to allow for the asset to be written off and the asset register updated.

Where the process has not been completed the fixed asset register must include a narrative with a summary of assets that could not be found and are under investigation. These assets will remain in the asset register until the investigation is complete and the outcome of that investigation will determine the way forward regarding the treatment of these assets, and

The investigation process and period (timelines) should comply with the Municipal Asset Management Policy and the Loss Control Policy.

10. INSURANCE

a) Definition and rules

Insurance provides selected coverage for the accident loss of asset value.

Generally, government infrastructure is not insured against disasters because relief is provided from the Disaster Fund through National Treasury. The municipality can however elect to insure certain infrastructure risks, through approval must be obtained from the Council. The Risk Officer, in consultation with the Assistant Manager: Asset Management must conduct a risk assessment of all assets and after considering the risks involved, report to council, which assets must be insured. The risk assessment must be based on a loss probability analysis and if there is no capacity within the municipality to conduct the analysis, the Municipal Manager should obtain external professional assistance.

The municipality may elect to operate a self-insurance reserve, in which case the CFO shall annually determine the premiums payable by the department or votes after having received a list of assets and insurable values of all relevant assets from the Assistant Manager: Asset Management.

Assets must be insured internally or externally and coverage must be based on the loss probability analysis. All insurance claims must be assessed by the Loss Control Committee, charged with the responsibility for the insurance of assets, to determine whether the damage to the assets can be recovered from possible third parties involved.

If damage was caused by an identifiable third party the Asset Control Officer should, through the Loss Control Committee and the Deputy CFO and the CFO, compile a report advising the Municipal Manager of the facts thereof and any possible further action.

b) Policy Statement

The municipality must adhere to the disaster management plan from prevention and mitigation of disaster in order to be able to attract the disaster management contribution during or after disaster. The Municipal Manager shall decide on insurance cover for assets each financial year based on consultation with the Loss Control Committee and the CFO, and advise Council accordingly.

c) Responsibilities

- The Municipal Manager shall consult with the, Risk Officer, Assistant Manager: Asset Management and the CFO on the basis of insurance to be applied to each type of fixed asset: either the carrying value or the replacement value of the asset concerned. The approach shall take due cognisance of the budgetary resources of the municipality, and where applicable asset classes shall be prioritised in terms of their risk exposure and value.
- The Municipal Manager shall advise Council on the insurance approach taken.
- In the event that the CFO, through the Municipal Manager, is directed by Council to establish a self-insurance reserve, the CFO shall annually submit a report to the Council on any reinsurance cover which it is deemed necessary to procure for the municipality's self-insurance reserve.

11. POLICY FOR SAFEGUARDING OF ASSETS

a) Definitions and rules

The municipality applies control and safeguards to ensure that assets are protected against improper use, loss, theft, malicious damage or accidental damage.

The existence of fixed assets must be verified from time-to-time, and measures adopted to control their use. Physical verification of fixed assets must be carried out at least once a year.

The municipality may allocate day-to-day duties relating to such control, verification and safekeeping to asset custodians, and record such in the asset register.

b) Policy Statement

An asset safeguarding plan shall be prepared for all fixed assets indicating measures that are considered effective to ensure that all assets under control of the municipality are appropriately safeguarded from inappropriate use or loss, including the identification of asset custodians for all assets. The impact of budgetary constraints on such measures shall be reported to Council. The existence, condition and location of these assets shall be verified annually (in line with the assessment of impairment).

c) Responsibilities

- The Risk Officer in consultation with the Director: Corporate Services shall prepare and submit to the Municipal Manager, upon request, an annual asset safeguarding plan for the fixed assets under the control of all departments, indicating the budget required.
- The Deputy CFO and the CFO shall confirm the available budget, and in consultation with the Director: Corporate Services and the Risk Officer and the Municipal Manager and determine the impact of any budget shortfall.
- The CFO shall report the impacts to the Municipal Manager for review, and advise Council.
- The Director: Corporate Services shall implement the safeguarding plan within the resource made available.
- The Municipal Manager may appoint a specialised physical security service provider to safeguard all assets of the Municipality at agreed points.
- The Assistant Manager: Asset Management shall establish procedures for the effective management of movement of assets from one location to another (both internal and external), transfers of assets from one custodian to another, and report damage, in consultation with the Deputy CFO and the CFO.
- Departmental Managers shall enforce the application of the procedure for controlling the movement of assets as prescribed by the CFO.
- The Manager: Corporate Services shall ensure that rented assets, such as photocopy machines, shall not be moved, unless by duly authorised staff.
- Malicious damage, theft, and break-ins must be reported to the Asset Control Officer within 48 hours of its occurrence and must be reported to the South African Police Service within twenty-four hours of occurrence.

- The Municipal Manager must report criminal activities to the South African Police Services.

12. POLICY FOR LIFE-CYCLE MANAGEMENT OF IMMOVABLE ASSETS

a) Definitions and rules

Service Delivery

Immovable assets (such as infrastructure and community facilities) are the means by which the municipality delivers a range of essential municipal services. Consequently the management of such assets is critical to meeting the strategic objectives of the municipality and in measuring its performance.

Asset Management

The goal of Asset Management of immovable 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 are:

- Taking a life-cycle approach;
- Developing cost-effective management strategies for long-term;
- Providing a defined level of service and monitoring performance;
- Understanding and meeting the impact of growth through demand management and infrastructure investment;
- Managing risks associated with asset failures;
- Sustainable use of physical resources, and
- Continuous improvement in the immovable asset management practices.

b) Policy Statement

The municipality shall provide municipal services for which the municipality is responsible, at an appropriate level, and in a transparent, accountable and sustainable manner, in pursuit of legislative requirements and in support of its strategic objectives, according to the following core principles:

- **Effective Governance**

The municipality shall strive to apply effective governance systems to provide for consistent asset management and maintenance planning in adhere 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 shall:

- Continue to adhere to all constitutional, safety, health, systems, financial and asset-related legislation;
- Regularly review updates and 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.

- **Sustainable Service Delivery**

The Municipality shall strive to provide to its customer services that are technically, environmentally and financially sustainable

To this end, the Municipality shall:

- Identify a suite of level and standards of service that conform with statutory requirements and rules for their application based on long-term affordability to the municipality;
- Identify technical and functional performance criteria and measure, 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 infrastructure 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 a maintenance strategy and plan to support the achievement of the required performance;
- Allocate budgets based on long-term financial forecasts that takes cognisance of the full life-cycle needs of existing and future infrastructure assets and risks to achieving the adopted performance targets;
- Strive for alignment of the financial statement with the actual service delivery potential of the infrastructure assets; and
- Implement its tariff and credit control and debt collection policies to sustain and protect the affordability of services by the community.

- **Social and Economic Development**

The municipality shall strive to promote social and economic development in its municipal area by means of delivery municipality services in a manner that meet the needs of the various customer user-groups in the community.

To this end, the Municipality shall:

- 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.

• **Custodianship**

The municipality shall strive to be a responsible custodian and guardian of the community's assets for current and future generations.

To this end, the municipality shall

- 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 resource are identified and protected; and
- Ensure that a long-term view is taken into account in infrastructure asset management decisions.

• **Transparency**

The municipal shall strive to manage its infrastructure assets in a manner that is transparent to all its customers, both now and in the future.

To this end, the municipality shall:

- Develop and maintain a culture of regular consultation with regard to its management of infrastructure in support of service delivery;
- Clearly communicate its service delivery plan and actual performance through its Service Delivery and Budget Implementation Plan (SDBIP);

- Avail immovable asset 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 standard.
- **Cost- effectiveness and efficiency**
The municipality shall strive to manage its infrastructure assets in an efficient and effective manner.

To this end, the municipality shall:

- Assess life-cycle options for proposed new infrastructure in line with the Supply Chain Policy;
 - Regularly review the actual extent, nature, utilisation, criticality, performance and condition of infrastructure 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 infrastructure assets;
 - Continue to secure and optimally utilise governmental grants in support of the provision of free basic services;
 - Implement new and upgrading construction projects to maximise the utilisation of budgeted funds;
 - Ensure the proper utilisation and maintenance of existing assets subject to availability of resources;
 - establish and implement demand management plans;
 - Timeously renew infrastructure asset based on capacity, performance, risk exposure, and cost;
 - Timeously dispose of infrastructure assets that are no longer in use;
 - review management and delivery capacity, and procure external support as necessary;
 - establish documented processes, systems and data to support effective life-cycle infrastructure asset management;
 - strive to establish a staff contingent with the required skills and capacity, and procure external support as necessary; and
 - Conduct regular and independent assessments to support continuous improvement of infrastructure asset management practice.
- **Responsibilities**
 - Upon delegation from Council, the Municipal Manager shall establish an Asset Management

Steering Committee to meet regularly and to take measures to effectively implement this policy and to report to Council on progress made at a frequency indicated by Council;

- Within two years adoption of this policy, the Director: Technical Services shall develop, and update at least every three years thereafter, an Asset Management Plan (AMP) for each service involving immovable assets that shall assess level and standards of service, future demand, risk determine a life-cycle plan for a minimum ten years planning horizon, and identify management practice improvement needs (three year horizon). The AMPs will be submitted through the Municipal Manager to Council for adoption. AMPs shall be used to inform the preparation of a Comprehensive Municipal Infrastructure Plan and budgets through the IDP process.
- The CFO shall, in consultation with Deputy CFO and the Assistant Manager: Asset Management and users of assets, determine grading scales for the measurement of asset condition, performance, cost-of-operation, and utilisation for that are common and applicable to all services. Where necessary, the Director: Technical Services shall interpret the grading scales for the immovable assets under their control. The Director: Technical Services shall determine the grading of all immovable assets under his/her control at a level of accuracy considered appropriate to the municipality's resources, at least every five years.
- Within two years of the adoption of this policy, The Director: Technical Services shall prepare, and review at least every three years thereafter, an Operation and Maintenance Strategy and Plan, and submit such, through the Municipal Manager, to Council for adoption. The municipality shall engage contractors when necessary to support in the implementation of maintenance actions and adopt a system that assists in managing such maintenance.
- Within two years of the adoption of this policy, Directors shall determine detailed service performance measures (differentiated, where applicable for identified customer groups), and submit such, through the Municipal Manager, to Council for adoption and inclusion in the Service Delivery and Budget Implementation Plan. Directors shall establish a monitoring regime, and report actual performance each financial year.

- The Municipal Manager shall establish procedures to ensure that legislative requirements regarding the management of immovable assets, including but not limited to health and safety, and environmental protection, are documented and advised to directors. Directors shall address legislative needs in their strategies and plans, and shall enforce implementation.

13. POLICY IMPLEMENTATION

Detailed procedures shall be prepared and adopted by the Municipal Manager, in consultation with the CFO and Directors, to give effect to this policy.

ANNEXURE A: EXPECTED USEFUL LIVES AND RESIDUAL VALUES

Immovable Assets

Component Type	Description Type	EUL (yrs.)	Residual Value (%)
Air Conditioning	Air conditioning units server rooms Downflow unit	5	0
Air Conditioning	Air conditioning units rooms Midwall units	5	0
Air Conditioning	Chillers	5	0
Air conditioning	Standard installation (wall or split units)	5	0
Anchored wall		50	0
Auxiliary Equipment	HV substation control infrastructure (AC, DC, cabling etc.)	60	0
Auxiliary Equipment	HV substation control infrastructure (AC, DC, cabling etc.)	60	0
Auxiliary Equipment	Prepaid vending master stations	10	0
Auxiliary Equipment	Prepaid vending stations	10	0
Auxiliary Equipment	QoS equipment Minigraph	20	0
Auxiliary Equipment	QoS equipment Netlog 300	20	0
Auxiliary Equipment	QoS equipment Netlog 400	20	0
Auxiliary Equipment	QoS equipment Netlog 500	20	0
Auxiliary Equipment	QoS equipment Provograph	20	0
Auxiliary Equipment	QoS equipment Vectograph	20	0
Baler	Baler – H10	15	0
Baler	Baler – H20D	15	0
Batteries	Rechargeable	3	0
Battery Charger		10	0
Bin / Container	Open top skip	10	0
Bin / Container	Open top skip	10	0
Bin /Container	Plastic bin	10	0
Bin / Container	Roll on/off open steel	10	0
Bin / Container	Roll on/off open steel	10	0
Billboards		15	0
Battery Charger		10	0
Bowling green		20	0
Carports	Shade net	7	0
Circuit Breaker Panel	Bus-section panel – double busbar	50	0
Circuit Breaker Panel	Bus-section/coupler panel	50	0
Circuit Breaker Panel	Feeder panel	50	0
Circuit Breaker Panel	Feeder-panel – double bulbar	50	0
Circuit Breaker Panel	Indoor switch in switchboard	45	0
Circuit Breaker Panel	Incomer panel	50	0

Component Type	Sub-component type	Unit Price	Product Code (N/A)
Circuit Breaker Panel	Incomer panel- double busbar	50	0
Control Cable	Fibre Optic	50	0
Control Cable	Pilot cable	50	0
Channel	Lined Open (Lined area)	30	0
Channel	Unlined open	5	0
Chemical Toilet		10	0
Compressor	Workshop type - fixed	10	0
Commuter shelter		15	0
RC Structure	Above ground structure	50	0
RC Structure	Below ground structure	50	0
RC Structure	Mass concrete	50	0
RC Structure	Shuttered RC Eng structure	80	0
RC structure	Shuttered RC Eng structure – water retaining	50	0
Control panel	Network and equipment control panel	50	0
Control panel	Network and equipment control panel	50	0
Control panel	Equipment control panel	50	0
Compactor	Compactor – C5	15	0
Compactor	Compactor – C9	15	0
Culvert		60	0
Current Transformer		45	0 - 15
Dozer		15	0- 50
LV Cable	LV Underground Service Connection – Single Phase (Per 30m Service)	60	0
LV Cable	LV Underground Service Connection – Three Phase (Per 30m Service)	60	0
LV Cable	Underground cable Commercial	60	0
LV Cable	Underground cable Domestic 2	60	0
LV Cable	Underground cable Domestic 3	60	0
Electrical Installation		30	0
Electric service connection	LV Overhead	50	0
Electric service connection	LV Underground	45	0
Electricity Meter	Credit LPU (Large Power Users) meter	20	0
Electricity Meter	Credit LPU 3 – 0 HV including metering unit	20	0
Electricity Meter	Credit meter	20	0
Electricity Meter	Prepayment meters	10	0
Electricity Meter	Remote meters	10	0

Asset Name/Type	Description/Type	Estimated Value	Estimated Value %
Engine	Petrol / diesel	15	0
Erosion Protection	Gabions	50	0
Erosion Protection	Rip Rap	20	0
Earth Structure		50	0 - 50
Earthworks	Falt terrain	50	0 - 50
Earthworks	Mountainous terrain	100	0 - 50
Earthworks	Rolling terrain	50	0 - 50
External furniture	3 seater concrete bench	20	0
External furniture	Children`s play equipment (jungle gym)	20	0
External furniture	Concrete table (rectangular)	20	0
External furniture	Larger planter pot (>1m diameter)	20	0
External furniture	Medium planter pot (<1m diameter)	20	0
External furniture	Playground equipment	20	0
External furniture	Water feature (Small)	20	0
External furniture	Water Feature - park	20	0
Fabricated Steel	Galvanised steel	20	0
Fabricated Steel	Mild steel	10	0
Fabricated Steel	Stainless steel	40	0
Filter media	Silica sand	10	0
Finishes, fixtures & fittings	Civic Centers, community halls, chambers	15	0
Finishes, fixtures & fittings	Clinics and day hospitals	15	0
Finishes, fixtures & fittings	General offices, libraries, etc.	15	0
Finishes, fixtures & fittings	Stores, workshop, garages, depots	15	0
Fire protection	Extinguishers, hose reels only	20	0
Fire protection	Extinguishers, hose reels, full sprinkler system with booster pump	20	0
Fire protection	Extinguishers, hose reels, limited sprinklers	20	0
External lighting	Bollard - type	45	0
External lighting	Floodlights	30	0
External lighting	Streetlight with its network	45	0
Floor	Shuttered RC suspended floor slab	50	0
Floor	RC surface bed	50	0
Paving	Paved area	20	0
Fuse		0	0
Gas installation		20	0

Component Type	Example Asset Type	Life Span (yrs)	Estimated Age (yrs)
Gearbox	Drive motor	15	0
Generator		20	0
Golf course	Municipal	50	0
Grid Inlet		30	0
Guard rail	Steel	20	0
Guard rail	Wood	15	0
High mast lighting		45	0 - 5
Speed hump		50	0
Honey sucker		10	0
HV Busbar Indoor	Cooper	60	0
HV Busbar Indoor	GIS bus bar	50	0
HV Busbar Indoor	Strung conductor(m)	60	0
HV Busbar Indoor	Tubular Conductor	50	0
HV Cable	Al PILC three core	50	0
HV Cable	Al XLPE single core	50	0
HV Cable	Cu PILC three core	50	0
HV Cable	Cu XLPE single	50	0
HV Cable	Cu XLPE three core	50	0
HV Cable	HV Al/Cu oil coiled cable	50	0
HV Cable	HV Al/CU single core XLPE cable	50	0
HV Overhead Line Conductor	Bear	50	0
HV Overhead Line Conductor	Fox	50	0
HV Overhead Line Conductor	Goat	50	0
HV Overhead Line Conductor	Hare	50	0
HV Overhead Line Conductor	Pelican	50	0
HV Overhead Line Conductor	Wolf	50	0
HV Overhead Line Insulators	Ceramic	50	0
HV Overhead Line Insulators	Composite	50	0
HV Overhead Line Insulators	Glass	50	0
HV Overhead Line Support structure	Concrete pole	50	0

Component Type	Description	Est. Life (Years)	Residual Value (%)
HV Overhead Line Support structure	Steel lattice tower	50	0
HV Overhead Line Support structure	Wooden pole	50	0
HV Power Transformer	Auto wind	50	0
HV Power Transformer	Double wind	50	0
HV Switchgear – Circuit Breaker	Indoor GIS bays	50	0
HV Switchgear – Circuit Breaker	Outdoor	50	0
HV Switchgear – Isolating Link	Earth switches	50	0
HV Switchgear – Isolating Link	Indoor	50	0
HV Switchgear – Isolating Link	Indoor	50	0
HV Switchgear – Isolating Link	Outdoor hand operator	50	0
HV Switchgear – Isolating Link	Outdoor motorised	50	0
HV Switchgear – Isolating Link	Outdoor motorized – AIS Pantograph	50	0
Hydrant	Below Ground	20	0
Irrigation	Automatic sprinkler system	10	0
Kerb Inlet		20	0
Kerb	Barrie kerb	20	0
Kerb	Mountable kerb	50	0
Land		N/A	0
Landfill restoration	Restored area		0
Load Control Set	Load control Master Station- Injection	20	0
Landscaping	Flower beds, shrubs & trees	30	0
Landscaping	Lawns	50	0
Lifts		30	0
Lining – Landfill		50	0
Local Transformer	HV primary	45	0
Local Transformer	HV primary	45	0
Load Shed Relay	Load control Controllers	20	0
LV Cable	LV underground service connection – single phase (per 30m service)	60	0

Component Type	Description	Unit	Quantity
LV Cable	LV underground service connection – three phase (per 30m service)	60	0
LV Cable	Underground cable- commercial	60	0
LV Cable	Underground cable- domestic 2	60	0
LV Cable	Underground cable- domestic 3	60	0
LV Overhead Line	LV- Open Wire	45	0
LV Overhead Line	LV aerial bundle conductor- commercial	45	0
LV Overhead Line	LV aerial bundle conductor- domestic 1	45	0
LV Overhead Line	LV aerial bundle conductor- domestic 2	45	0
LV Overhead Line	LV aerial bundle conductor- network	45	0
LV Overhead Line	LV overhead service connection –single phase (per 30m service)	45	0
LV Overhead Line	LV overhead service connection –three phase (per 30m service)	60	0
LV Switchgear – Circuit Breaker	Feeder panel	30	0
Masonry Structure	General	50	0
Masonry Structure	Manholes	50	0
Min round-about		20	0
Motor	sewer	15	0
Motor	water	15	0
Mini-Sub	Mini-Sub with ring main unit	45	0
Mini- Sub	Mini-Sub without ring main unit	45	0
Mini-Sub	Mini-Sub with ring main unit	45	0
Mini-Sub	Mini-Sub without ring main unit	45	0
MV Bustar Indoor	Copper bar	60	0
MV Bustar Outdoor	Strung conductor (m)	60	0
MV Bustar Outdoor	Tubular Conductor	50	0
MV Cable	MV Cu & Al cable	50	0
MV Overhead Line	11Kv ABC	45	0
MV Overhead Line	Aerial Bundled Conductor	45	0
MV Overhead Line	Heavy conductor overhead line(>70 sqmm)	45	0
MV Overhead Line	Light conductor overhead line (<70 sqmm)	45	0
MV Power Transformer	Enclosed transformer	45	0
MV Power Transformer	Substation transformer	45	0
MV Switchgear-Breakers	Bus section panel Double busbar	45	0

Asset Name	Description	Unit	Value
MV Switchgear-Breakers	Bus- Section / Coupler panel	45	0
MV Switchgear-Breakers	Bus- Section / Coupler panel	45	0
MV Switchgear-Breakers	Feeder panel Double busbar	45	0
MV Switchgear-Breakers	Income panel	45	0
MV Switchgear-Breakers	Income panel Double busbar	45	0
MV Switchgear-Circuit Breaker	Bus- section panel- double busbar	45	0
MV Switchgear-Circuit Breaker	Bus-section/ coupler panel	45	0
MV Switchgear-Circuit Breaker	Feeder panel	45	0
MV Switchgear-Circuit Breaker	Feeder panel – double busbar	45	0
MV Switchgear-Circuit Breaker	Income panel	45	0
MV Switchgear-Circuit Breaker	Incomer panel- double busbar	45	0
MV Switchgear-Isolators	Ring main unit	45	0
MV Switchgear-Isolating Link	MV isolator	45	0
MV Switchgear-Isolating Link	MV isolator	45	0
MV Switchgear-Isolating Link	Ring main unit	45	0
LV Overhead Line	LV-Open Wire	45	0
LV Overhead Line	LV ABC	45	0
LV Overhead Line	LV Overhead Services connection- Single phase (per 30m Service)	45	0
LV Overhead Line	LV Overhead Services connection- Three phase (per 30m Service)	45	0
LV Overhead Line	Low voltage aerial bundle conductor Commercial	45	0
LV Overhead Line	Low voltage aerial bundle conductor Domestic 1	45	0
LV Overhead Line	Low voltage aerial bundle conductor Domestic 2	45	0
Paving	Paved area	20	0

Component / Qty	Description / Type	Estimate	Product Value
Pedestrian bridge superstructure		50	0
Pilot cables		50	0
Pedestrian bridge substructure		50	0
Communal standpipe- Pedestal		10	0
Power Factor Equipment	Capacitor bank	50	0
Power Factor Equipment	Single phase, 20 min batter back-up	30	0
Pipe- Sewer	Clay	100	0
Pipe- Sewer	Concrete	40	0
Pipe- Sewer	Steel	40	0
Pipe- Sewer	uPVC	80	0
Pipe-Water	AC	40	0
Pipe-Water	GRP	80	0
Pipe-Water	HDPE	80	0
Pipe-Water	Steel	80	0
Pipe-Water	uPVC	80	0
Plumbing	Standard installation	20	0
Pump- hand		15	0
Pump- water		15	0
Pump- submersible		15	0
Pole Transformer	Pole transformer	12	0
Pole Transformer	Pole transformer	45	0
Perimeter Protection	1.2m high diamond mesh	15	0
Perimeter Protection	1.8m high brick wall	30	0
Perimeter Protection	1.8m high diamond mesh	15	0
Perimeter Protection	Concrete palisade fence	30	0
Perimeter Protection	Precast concrete wall	30	0
Pipe- Storm water	Concrete	50	0
Road Bridge abutments		89	0
Road bridge side barrier		80	0
Road bridge sub-structure		80	0
Road marking		2	0
Road reserves		N/A	0

Component Type	Detail/Specification	Quantity	Estimated Value
Road bridge super-structure		80	0
Reactor		0	0
Retaining wall		60	0
Ring Main Unit	Ring Main Unit – 3 way	45	0
Ring Main Unit	Ring Main Unit – 4 way	45	0
Roof	Sheet metal	30	0
Roof	Thatch	40	0
Roof	Tilled	40	0
Roof	Flat concrete (170mm thick)	40	0
Small building / enclosure	Brick, block walls & concrete roof slab	50	0
Small building / enclosure	Brick, Block walls & other roof	50	0
Small building / enclosure	Steel cage	20	0
Small building / enclosure	Steel cage	20	0
Security system	Security and access control	5	0
Septic Tank		40	0
Servitude		N/A	0
Sign-General	Large	15	0
Sign-General	Standard	15	0
Sign-General	Very large	15	0
Signals		0	0
Sign- regulatory	Large	7	0
Sign-regulatory	Standard	7	0
Sports field	Cricket	30	0
Sports field	Netball / basketball	15	0
Sports field	Rugby / soccer	30	0
Squash court	Regulation size- indoor	15	0
Road surface	Bituminous (Medium)	9	0
Road surface	Bituminous (Thick)	12	0
Road surface	Bituminous (Thin)	7	0
Road surface	Concrete block surface	15	0
Road surface	Concrete	20	0
Road surface	Gravel	5	0
Sub-soil drain	Dewatering sub-soil drain	50	0
Stadium	Brick structure with roof and terraces	50	0
Stadium	Open structure with stepped terraces	50	0

Asset Component Name	Component Type	Unit (m ²)	Estimated Value (Z\$)
Stadium	Structure with roof and stepped terraces	50	0
Street Light	Streetlight shared with LV network	45	0
Street Light	Streetlight with own network	45	0
Street rubbish bin		10	0
Road structural layer	Access	80	0
Road structural layer	Arterial / Distributor	30	0
Road structural layer	Collector	50	0
Surge Arrestor		0	0
Swimming pool	10m x 5m	20	0
Tank	Galvanised steel panel	30	0
Tank	Plastic	15	0
Communal standpipe- Tap		5	0
Telemetry	Advanced system	15	0
Telemetry	Intermediate system	15	0
Telemetry	Standard system	15	0
Tennis court	Floodlit	15	0
Tennis court	Standard	15	0
Timber structure	Timber	15	0
Transformer NEC		45	0
Transformer NER		45	0
Traffic Island		30	0
Traffic signal	C1 – 3 head	15	0
Traffic signal	C2 - 5 head	15	0
Traffic signal	C3 – 3 to 5 head overhead	15	0
Valve	Air release	15	0
Valve	Butterfly	20	0
Valve	Non-return	15	0
Valve	Pressure Reducing	15	0
Valve	Resilient seal	20	0
Vending Station		0	0
VIP Latrine	Double	10	0
VIP Latrine	Single	10	0
Voltage Transformer	MV	45	0
Walls	Complete building (Internal and external)	60	0
Walls	Face brick	60	0
Walls	Fibre cement board, timber frame, plaster board	60	0
Walls	Metal sheet, plaster board	30	0

Component Type	Item Name	Unit	Quantity
Walls	Plastered brick	60	0
Walls	Semi-face brick	60	0
Weigh bridge	12m	15	0
Weigh bridge	8m	15	0
Well	Well & lining	30	0
Water Meter	Mag-flow	10	0
Water Meter	Mechanical	10	0
Water Meter	Prepaid	10	0

ANNEXURE B: EXPECTED USEFUL LIVES AND RESIDUAL VALUES

Movable Assets

No.	Component Type	Description Type	EUL (yrs.)	Residual Value (%)
1	Furniture and Fittings	Bed	7	0 - 10
2	Furniture and Fittings	Bench	7	0 - 10
3	Furniture and Fittings	Bookcase	7	0 - 10
4	Furniture and Fittings	Cabinet	7	0 - 10
5	Furniture and Fittings	Chair	7	0 - 10
6	Furniture and Fittings	Credenza	7	0 - 10
7	Furniture and Fittings	Cupboard	7	0 - 10
8	Furniture and Fittings	Desk	7	0 - 10
9	Furniture and Fittings	Rack Filling	7	0 - 10
10	Furniture and Fittings	Board	7	0 - 10
11	Furniture and Fittings	Pigeon Hole	7	0 - 10
12	Furniture and Fittings	Table	7	0 - 10
13	Furniture and Fittings	Trolley	7	0 - 10
14	Communication Equipment	Two Way Radio	3	0 - 10
15	Computer Equipment	CPU	3	0 - 8
16	Computer Equipment	Screen	3	0 - 8
17	Computer Equipment	Laptop	3	0 - 8
18	Computer Equipment	Modem	3	0 - 8
19	Computer Equipment	UPS	3	0 - 10
20	Office Machine	Printer	5	0 - 10
21	Office Machine	Air Conditioner	5	0 - 10
22	Office Machine	Calculator	5	0 - 10
23	Office Machine	Cash Register	5	0 - 10
24	Office Machine	Refrigerator	5	0 - 10
25	Office Machine	Microwave	5	0 - 10
26	Office Machine	Fan	5	0 - 10
27	Office Machine	Heater	5	0 - 10
28	Office Machine	Television	5	0 - 10
29	Office Machine	Radio	5	0 - 10
30	Office Machines	Camera	5	0 - 10
31	Vehicle	Utility Vehicle (Bakkies)	5	0 - 52
32	Vehicle	Minibus	5	0 - 52
33	Vehicle	Passenger Vehicle	5	0 - 52
34	Vehicle	Truck	5	0 - 52
35	Specialised Vehicle	Tractor (new)	10	0 - 52
36	Specialised Vehicle	Tractor (used)	10	0 - 52

Item	Equipment Type	Description / Item	Quantity	Estimated Value / Cost
37	Specialised Vehicle	Trailer	15	0 - 52
38	Specialised Vehicle	Trailer (Mass Container)	15	0 - 52
39	Specialised Vehicle	Emergency Trucks	20	0 - 52
40	Specialised Vehicle	Ambulance	5	0 - 52
41	Plant and Equipment	Generator	5	0 - 10
42	Plant and Equipment	Ladder	5	0 - 10

VICTOR KHANYE LOCAL MUNICIPALITY



**CREDITORS AND STAFF PAYMENT POLICY-PAYDAY
2025/2026**

Policy Number:	Approved by Council:
Resolution No:	Review Date:2025/03/13

TABLE OF CONTENTS

	Page no.
1. DEFINITIONS AND ABBREVIATIONS	
1.1 Definitions	3-4
2.2 Abbreviations	5
2. PROBLEM STATEMENT	5
3. PURPOSE OF THE POLICY	5
4. OBJECTIVE OF THE POLICY	6
5. LEGISLATION	6
6. DELEGATION OF AUTHORITY (BANK SIGNATORIES)	6
7. PAYMENT TO CREDITORS/SUPPLIERS	6
8. PAYMENT TO COUNCILLORS/STAFF	7
19. PAYMENT METHOD	8
10. FREQUENCY OF PAYMENTS	8
11. REVISION OF THE POLICY	9

1. DEFINITIONS AND ABBREVIATIONS

1.1 DEFINITIONS

"Accounting Officer"	Means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act; and also refers to the Municipal Manager of the Municipality in terms Of section 60 of the MFMA.
"Accounts Payable"	Accounts Payable is money owed by an organization to its vendors/suppliers (Trade Creditors) for good and services purchased on credit.
"A construction Contract"	Is a contract specifically tendered/negotiated for the Construction of an asset or the maintenance of assets that necessarily takes a substantial period of time to complete and may stretch over more than one financial year.
"Credit Note"	A document provided by a vendor/supplier, stating that a certain amount has been credited to the Municipality's account due to supplies having been returned.
"Disbursement Transaction"	Refer to the payment of invoices received for goods and services.
"Electronic Fund Transfer"	The electronic movement of funds from the Municipality's main bank account to the different vendor/supplier accounts in the same or different banks.
"Goods Receipt Note"	Is confirmation documentation by the receiving department or Procurement Officer that shows that the ordered were received. It is used along with purchase order (PO) in the "three way match" to authorize invoice payment.
"IDP"	Means Integrated Development Plan.
"Invoice"	A non-negotiable commercial instrument issued by a vendor/supplier to the Municipality identifying both trading parties, lists/describes and quantifies the items/services provided, and shows the date of supply together with prices, discounts (if any), delivery and payments terms.

"MFMA"	Means Municipal Finance Management Act No. 56 of 2003.
"Municipality"	Victor Khanye Local Municipality.
"Payment"	The partial or complete discharge of an obligation by its settlement in the form of the transfer of funds on an approved outstanding invoice.
"Payment Terms"	As stipulated in the MFMA and informed to suppliers of goods and services rendered.
"Purchase Order"	Is a document sent to a vendor/supplier, authorizing the delivery of a product to the customer at a specified price, place, time and terms. The creation of a purchase order creates a legally binding contract which cannot be changed without the consent of both parties. A customer may sometimes create an open or standing purchase order. Open PO's are often used for services which occur over a period of time.
"Statement"	Summary of all transactions debits or credits with a vendor/supplier that occurred during the previous month and their effect on an open account balance. It is also called a statement of account.
"Tax Invoices"	The elements of what depicts a valid Tax Invoice are attached as Annexure B to this document.
"VAT"	Means Value Added Tax. VAT is a consumption tax levied on goods and services at each step of the production/distribution cycle. An indirect tax, VAT is paid by manufacturers, distributors and retailers when they receive goods in their inventories. Businesses are able to recover VAT payments through tax deductions, with the cost of the tax ultimately paid by the end consumer.
"Vendor Master File"	A central, comprehensive data base file generally maintained by the Accounts Payable Department that contains information about vendors/suppliers used to facilitate financial transactions between companies. The information includes payment terms, addresses, names, credit limit and payment or purchase transaction history.

1.2 ABBREVIATIONS

AP	-	Accounts Payable
EDI	-	Electronically Delivered Invoices
EFT	-	Electronic Funds Transfer
ERP	-	Enterprise Resource Planning
GRN	-	Good Received Note
PDF	-	Portable Document Format
SARS	-	South African Receiver of Revenue
SCM	-	Supply Chain Management
SOP	-	Standard Operating Procedures
VAT	-	Value Added Tax

2. PROBLEM STATEMENT

In compliance with the Municipal Finance Management Act (MFMA) (No. 56 of 2003), Local Government Municipal System Act (No. 32 of 2000), the King III Code on Corporate Governance in South Africa (2009) and any other applicable legislation, the Municipality must establish and maintain an adequate internal financial control system.

Limited resources should be used effectively, efficiently and in accordance with the approved budget, as well as the financial policy as determined by the financial regulations for local authorities and guidelines by the Financial Management of the Municipality.

The Creditors and Staff Payments Policy document serves to support the concept of the control measures necessary within Expenditure section of the municipality. Further, it is deemed to serve as:

- (a) An information document in order that the users of the Expenditures Payable service have an understanding of what is required.
- (b) A working document to make the processes of Expenditure Payable more effective.

3. PURPOSE OF THE POLICY

This applies to the Creditors, Councillors, Officials and all those that receive payment from the Municipality.

4. OBJECTIVE OF THE POLICY

The objective of this Policy is to have a standard payment system in place with clear objectives regarding payment policy and dates which objectives are measurable in terms of customer service.

5. LEGISLATION

In terms of section 60 of the Municipal Finance Management Act, Act No. 56 of 2003, the Municipal Manager is deemed to be Accounting Officer of the Municipality. This Policy fulfils the responsibilities of the Accounting Officer in terms of section 65(2) of the MFMA which requires and Accounting Officer to take all reasonable steps to ensure that the Municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payments and payments of funds.

6. DELEGATION OF AUTHORITY (BANK SIGNATORIES)

Only officials approved by Council resolution who are signatories to the bank accounts of the Municipality are authorized to make payments or release EFT's on behalf Municipality. The release of Electronic Funds Transfer (EFT) must be authorized by two officials.

7. PAYMENT TO CREDITORS/SUPPLIERS

- (a) All reasonable steps must be taken to ensure that payments made by the Municipality are made direct to the person that supplied the service or to whom the payment is due, unless otherwise agreed upon as approved by the Chief Financial Officer.
- (b) The Chief Financial Officer shall ensure that all tenders and quotations invited by and contracts entered with by the Municipality, stipulate payment terms favourable to the Municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the Municipality, provided that all reasonable step are taken to ensure payment is made within thirty (30) days of the date of the invoice or statement.
- (c) This rule shall be departed from only where there are financial incentives to the benefit of the Municipality, and as approved by the Chief Financial Officer, before any payments are made.

- (d) Payments will be effected during any period of thirty (30) days from that date when the invoice was received by the user department. Any such early payment shall be approved by the Chief Financial Officer.
- (e) In respect of all other service providers/suppliers, the thirty (30) days payment policy will prevail.
- (f) Notwithstanding the foregoing Policy directives, the Chief Financial Officer shall make full use of any extended terms of payment offered by suppliers/service providers and not settle any accounts earlier than such extended due date, except if the Chief Financial Officer determines that there are financial incentives for the Municipality to do so.
- (g) The Chief Financial Officer shall not ordinarily process creditor payments, more than twice in each calendar month, such processing periods to be at the discretion of the Chief Financial Officer. Wherever possible, payments shall preferably be effected by means of electronic transfer rather than by non-transferable cheques.
- (h) Special payments to suppliers/creditors, other than as previously mentioned, shall be effected if there are compelling reasons for making such payments prior to the normal month end processing.
- (i) All the above payment scenarios referred to are subject to the submission of the correct and relevant supporting documents (e.g. invoice, quotation, requisition, purchase order, memorandum, service level agreement approved by the Head of Department or the Accounting Officer).

CESSIONS AGREEMENTS

Cession of a creditor of the Municipality to a third party may be permitted per contract;

A cession approved must relate to the supply of raw materials associated with a project undertaken by a creditor on behalf of the Municipality and not in respect of the provision of other services;

Any cession of payments to be advised of before orders are finalised.

8. PAYMENT TO COUNCILLORS/STAFF

- (a) In the week of Salary Payments, claims must be submitted prior to the salary closure date for that particular month.
- (b) The travelling claim for employees/councillors will be included with salary.
- (c) Claims falling outside of this arrangement will be rolled over to the following salary month.
- (d) This rule shall be departed only in respect of overseas travel approved by Council and will only apply in respect of the overseas travel and accommodation costs. Local subsistence and travel in respect of the overseas trip will be claimed as per paragraph above.
- (e) Salaries and allowances shall be paid on the 25th of each month with the exception of December.
- (f) If the 25th of the month falls on
 - Saturday;
 - Sunday;
 - Monday;
 - Public holiday; or
 - Day after a public holiday salaries will be paid before
- (g) Salary and allowance documents must be submitted to Treasury for capturing and processing as per the cut off time table determined by the Chief Financial Officer circulated at the beginning of the financial year.
- (h) Councillors and officials delegated to attend the same function shall at all times
- (i) attempt to reduce the cost to Council by using one vehicle where circumstances
- (j) permit.
- (k) When a Council owned vehicle is used, the driver will be responsible for the
- (l) payment of all traffic fines related to reckless and negligent driving, speeding and
- (m) none usage of safety belt. The fine will paid by Council and the paid amount will be
- (n) deducted from the individual's salary.
- (o) The Council will only be responsible for the payment of all traffic fines related to
- (p) the roadworthiness of the vehicle used.
- (q) Official not receiving a fixed travel allowance shall utilize council vehicle unless
- (r) prior arrangements were made with the relevant Manager for the use of privately
- (s) owned vehicles.

- (t) Officials and councillors receiving a fixed monthly travel allowance may not use council owned vehicles except for ceremonial purposes as determined by the Municipal Manager.
- (u) Appropriate private transport, in accordance with the job requirements and duties of the position must be available for daily official use. The preferred vehicle to be used by the incumbent for the purpose of official travel must be registered on the scheme and a valid vehicle registration certificate which must be in the names of the incumbent must be presented prior to the payment of any allowance in terms of the scheme
- (v) Any person who breaches this policy and in so doing causes financial and material loss to Council shall be required to refund the Council or rectify the loss and be liable for disciplinary action.
- (w) An average of 250 days per annum will be used in calculation of leave days, acting allowance for T13 down wards and 365 days for T14 upwards including Executive Directors and Municipal Manager

9. PAYMENT METHOD

- (a) All Creditors, Councillors and Staff payments must be done via electronic transfers by EFT.
- (b) All suppliers doing business with the Municipality must have a valid business banking account.
- (c) Letter to confirm the existence of the account holder must be confirmed and signed by bank officials on bank letterheads, together with the bank request form from the municipality
- (d) Staff and Councillors should have one bank account for the whole financial year.
- (e) Cheques will be issued only on special request and should be authorized by the Chief Financial Officer and other designated personnel.
- (f) All banking details of service provider/suppliers must be verified and captured on the SCM Data base. The service provider should have one bank account for the whole year, unless if there's reasonable circumstances for the change of bank details only once a year.
- (g) Where the recipient is obliged to spend at least one night away from his or her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic of South Africa and the allowance or advance is granted to pay for

- (h) Incidental expenditure - means expenditure in respect of trips for table and Room service, reading material, private telephone Calls, snacks and non-alcoholic beverages, payable in Circumstances where actual expense are not claimed.
- (i) The municipality to increase the incidental cost per day from R60 to R 128 and meal from R150 to R 288 respectively as per SARS latest rates

Tax Year	Meals and incidental costs per day (R)	Incidental cost only per day (R)
2019	416	128

- (j)
- (k) An agendas or invitation must be attached to the claim, where available.
- (l) Claims must be submitted not later than 60 days from the date of the trip, Claims received after this period shall be rejected, unless condoned by the Municipal Manager.
- (m) In the event that an individual was granted permission to attend a function/event/workshop/meeting/training at the cost of the Municipality but could not attend and no valid reason could be provided, costs incurred by Municipality shall be claimed from the individual's salary.

10. FREQUENCY OF PAYMENTS

- (a) All service providers and vendors shall be paid at least twice in a cycle of 30 days from the date of invoice received by the Municipality.
- All invoices received from the 1st to the 14th will be paid by the 20th or the next working day.
 - Invoices received from the 21th to the 14th will be paid by the 15th of the following month or the next working day.

NB: From the 1ST till the 6th are Non-payment days due to month end procedures

11. REVISION OF THE POLICY

The Victor Khanye Local Municipality's Creditors, Councillors and Staff Payment Policy must be reviewed and amended, as and when it is necessary, to ensure that it remains relevant.



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

VIREMENT POLICY

1st July 2025 – 30th June 2026

Policy Number:	Approved by Council:
Resolution No:	Review Date:

Contents

1. INTRODUCTION	3
2. PURPOSE.....	3
3. DEFINITIONS	4
4. MFMA REGULATION ON BUDGET VERSUS EXPENDITURE	6
5. VIREMENT REQUIREMENTS.....	8
6. OPERATING BUDGET VIREMENTS	9
7. CAPITAL BUDGET VIREMENTS	9
8. PROCESS AND ACCOUNTABILITY	10

1. INTRODUCTION

- 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). The treatment of such instances may, however, be dependent on whether an adjustments 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 Executive Director 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.

2.6 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 City'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; or..."

3.2 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;"

3.3 Chief Financial Officer (MFMA)

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

3.4 Cost Centre

3.4.1 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.

3.5 Cost element

3.5.1 Cost elements distinguish between primary and secondary cost elements.

Primary cost elements are expenditure items mainly generated outside the organization. Secondary cost elements are utilized to reallocate cost by means of assessments, internal billing or activity based recoveries.

3.6 Executive Director

3.6.1 Section 56 of the Systems Act states inter alia that: "Appointment of managers directly accountable to municipal managers - (a) a municipal council, after consultation with the municipal manager, appoints a manager directly accountable to the municipal manager..."

3.7 Expenditure Category.

Expenditure Category distinguishes between the following categories
Operational Budget

3.7.1 Employee related cost

3.7.2 Remuneration of Councilors.

3.7.3 Contracted Services

3.7.4 Depreciation and Amortisation

3.7.5 Interest Dividends and Rent on Land

3.7.6 Inventory consumed

3.7.7 Operating leases

3.7.8 Operational cost

3.7.9 Transfers and Subsidies

3.8 Capital Budget

3.8.1 Acquisition of assets

3.9 Financial year

3.9.1 The 12 month period between 1 July and 30 June.

3.10 Vote (MFMA)

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

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

3.10.2 In the terms of the Mscoa the votes of VKLM per is as allows for Virement vertically within the main functions.

3.11 Virement

3.11.1 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 or as a result of changes to SCOA or SCOA implementation.

4. MFMA REGULATION ON BUDGET VERSUS EXPENDITURE

4.1 The MFMA regulates as follows regarding the incurring of expenditure against budgetary provisions.

4.1.1 Section 15 - Appropriation of funds for expenditure

"A municipality may, except where otherwise provided in this Act, incur expenditure only-

(a) in terms of an approved budget; and

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

4.1.2 Unauthorised Expenditure (MFMA Definition)

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

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act;"

4.1.3 Overspending (MFMA Definition)

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

4.1.4 Section 71(1)(g)(iii) states inter alia "(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:...(g) when necessary, an explanation of...(iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget...."

5. VIREMENT REQUIREMENTS

5.1 The Virement process represents the major mechanism to align and take corrective (financial / budgetary) action within a Directorate during a financial year.

5.2 In order for a "vote" (Directorate) to transfer funds from one cost element or capital project to another cost element or capital project, a saving has to be identified within the monetary limitations of the approved "giving" cost element or capital project allocations on the respective budgets.

5.3 Sufficient, (non-committed) budgetary provision should be available within the "giving" vote's cost element or project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.

5.4 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an adjustments budget (per MFMA Section 28).

5.5 In terms of Section 17 of the MFMA a municipality's budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets.

5.6 Virements are not permissible across, or between, votes.

5.7 Virements between Trading- and Rate-funded functions are not allowed, due to the differing impacts on respective tariff- or Rates-borne services' budgets, unless adopted via adjustment budgets (per MFMA Section 28).

5.8 Virement occurred as a result of changes to SCOA or SCOA implementation.

6. OPERATING BUDGET VIREMENTS

6.1 Virement are not allowed to utilize special purpose budgetary allocations, adopted by Council as such and to which specific Council recommendations apply (e.g. budget strategy for growth in repairs and maintenance provisions) and which result from specific resolutions adopted when adopting the budget, as virement sources.

6.2 Sound motivations should be provided for all Virement, as provided for on pro forma virement documentation.

6.3 Virement related to changes in SCOA or SCOA implementation are permitted.

6.4 Employee related cost

(a) Virement are allowed between cost elements of and only if these virement are within - subjective category, subjective to the approval of the relevant Executive Director and the Chief Financial Officer.

(b) Virement within this category are allowed between elements, subjective to the approval of Chief Financial Officer and or Accounting Officer.

(c) Virement to and from this subjective expenditure category are allowed subject to the approval of the Chief Financial Officer.

7. CAPITAL BUDGET VIREMENTS

7.1 Only Virement which relate to projects approved as part of annual or adjustments budgets, will be permitted.

7.2 No Virement of which the affect will be to add "new" projects onto the Capital Budget, will be allowed.

7.3 Virement may not cause an increase to individual projects' total project cost.

7.4 Virement must be between projects of similar funding sources (e.g. EFF ↔ EFF).

7.5 Implementation of the project from which funds are virement may not be prejudiced (i.e. must not hinder completion of the project).

7.6 Motivations for Virement should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

7.7 Secondary Capital Cost Elements:

7.7.1 Virement are permissible only within the same cost elements of different projects.

7.7.2 The service requestor and service provider must endorse such Virement.

7.7.3 Proposed secondary capital expenditure Virement must be approved by the Director: Budgets.

7.8 Ward Allocations Projects:

7.8.1 Only Virement between existing projects approved by Council, within the same sub council, and within the same directorate will be permitted.

7.8.2 Virement will only be considered if approved by the relevant sub council (sub council resolution) and supported by the project managers and finance managers of the projects involved (annexure D).

7.8.3 Motivations for Virement between projects should clearly state the reason for the saving within the "giving" project, as well as the reason for the additional amount required.

8. PROCESS AND ACCOUNTABILITY

8.1 Accountability to ensure that virement application forms are completed in accordance with Council's virement policy and are not in conflict with the directorate's strategic objectives manifests with the head of the relevant directorate.

8.2 Completed virement documentation is to be effected by the Director: Budgets.

8.3 Virement approved and processed will be reported for information to the Executive Mayor on a quarterly basis.



VICTOR KHANYE LOCAL MUNICIPALITY

CONTRACT MANAGEMENT POLICY

Original Author(s)	
Policy Status	
Council Resolution No.	
Date of Approval	
Signature of the Speaker	
Signature of the Municipal Manager	

1 TERMS AND DEFINITIONS

Accounting Officer	Means the municipal official referred to in section 60 of the MFMA (2003); and include a person acting as the accounting officer.
Circular 62	Means communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA of 2003.
Contract	The written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including attachments and appendices thereto and all documents incorporated by reference therein.
Contractor	The party to the contract that is required to provide goods or services according to the terms of the agreement.
Contract Amendment	means changing the scope, nature, duration, purpose or objective of the agreement or contract (In context of Circular 62 and section 116 (3) of the MFMA).
Contract Management	The activities necessary to manage a contract throughout all stages in the contract life cycle to ensure that immediate action is taken effectively and efficiently to the change that may occur to the contract
Contract Management system	Computerised / manual system necessary to ensure proper Contract Management control and monitoring of contracts.
Contract Register	Manual system necessary to ensure proper Contract Management control and monitoring of contracts.
Contract Owner	Means the official within a specific department, responsible for all day to day activities during the life cycle of the contract (with delegated powers to perform this function)
Delegation (in relation to a duty)	Includes an instruction or request to perform or to assist in performing the duty.
Division	Includes the divisional section within the municipality.

End User	Means all officials as set out in the Organogram of the Victor Khanye Local Municipality involved with contracts.
Firm Contract Price	Contract prices provide for a fixed price which normally not subject to any adjustment.
Force Majeure	An event beyond the control of the contractor and not involving the contractor's fault or negligence and not foreseeable.
Institution	Unit / Function in the organisation as the role player to the procedures.
Litigate	The act or process of contesting a lawsuit or seeking redress through the courts.
Non-Firm Contract Price	Contracts prices that are subjected to changes if they are explicitly included in the agreement based on the economic pricing escalations.
Official	Means an employee of a municipality; A person seconded to a municipality to work as a member of the staff of the municipality; or A person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee
Parties	Parties that stipulate obligations to one another to ensure that the contract term and condition are fulfilled.
SCM Manager	Means the SCM official responsible for monitoring, regulating and reporting on all contract related activities as set out in Section 116 of the MFMA)
Specification	The statement that provide detailed description of goods, services and works characteristics and identify performance requirements prepared when procuring goods, services and works.
Transversal Contract	Term contracts that are facilitated and arranged by National Treasury or Provincial Treasury for goods and services that are frequently required by Municipality.

Terms of Reference

The statement that define clearly the task directive (methodology), objectives, goals and scope of the assignment and provide background information, prepared when procuring professional services.

Abbreviations

CRA	Contract Registration Application
CFO	Chief Financial Officer
MCMG	Municipal Contract Management Guideline
CPA	Contract Price Adjustments
BAC	Bid Adjudication Committee
BEE	Black economic empowerment
B-BBEE	Broad-Based Black Economic Empowerment
GCC	General Conditions of Contract
GPG	Gauteng Provincial Government
GPT	Gauteng Provincial Treasury
MBD	Municipal Bidding Document
MFMA	Municipal Finance Management Act
MM	Municipal Manager
MSA	Means Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000).
SCC	Special Conditions of Contract
SCM	Supply Chain Management
SLA	Service Level Agreement
TOR	Terms of Reference
NT	National Treasury Transversal Contract

2 INTRODUCTION

- 2.1 Good contract management is essential for sound financial management and contributes greatly to effective and efficient service delivery. Contract management is concerned with monitoring supplier performance to avoid bid violations (e.g. submission and payment of fictitious invoices and abuse of the variation procedures)
- 2.2 Contract management leads to increased savings and good quality on-time delivery. Furthermore, it is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract and invoices building a good working relationship between the parties. Contract

management continues throughout the life of a contract and also involves managing proactively to anticipate future needs as well as reacting to situations that arise.

- 2.3 One of the key aims of contract management is to accelerate service delivery in accordance with the signed contract and attainment of value for money while managing risks. Active management of contractual relationship with the contractor will yield optimum efficiencies, effectiveness and economy of the service and balance in cost and risk.

3 PURPOSE

- 3.1 The purpose of the Contract Management Policy is to establish sound and consistent management practices with respect to municipal contracts. It describes the processes and assigns responsibilities to effectively administer contracts from:

- Preparation of contracts.
- Maintenance of contract register.
- Monitoring of payments.
- Control contract variation and price adjustment.
- Assess and monitor performance; and
- Manage contract disputes and close out of contracts.

- 3.2 To give effect to Section 217 of the Constitution of South Africa (1996) which Stipulates that:

- When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system that is:
 - equitable
 - transparent
 - competitive
 - cost-effective and
 - fair
- The effective and efficient control of contracts procured through the SCM system ensuring:
 - Proper electronic and/or manual recording and enforcement of contracts throughout the contract life cycle (specifications to contract reviews);

- Support to the demand management framework as set out in Circular 62 of National treasury (August 2012), optimizing proper planning, resulting in effective service delivery;
- Electronic and/or manual Management of Contract Performance;
- Compliance with the regulatory framework;
- To assist officials in understanding their legal and managerial responsibilities with regards to contract management;
- The optimization of efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers; and
- The continuous development of effective Management Information systems, resulting in strategic support and risk preventions.
- To ensure that no contract procurement of goods and services (excluding land sales or rentals of the Victor Khanye Local Municipality Assets, which are managed by Property Management Services), takes place outside of the SCM System.

3.3 To ensure that all decisions taken by the Victor Khanye Local Municipality by means of Management, Mayoral or Council Resolutions, which emanated in transactions, that involves a contract, whether explicitly agreed to in writing or implicitly implied through actions must be complied with. (Including donations, land sales or leases, MOU's between Victor Khanye Local Municipality and other stakeholders, etc.)

4 STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS

4.1 This Policy is guided among others by the following legislation and agreements as amended from time to time:

- Constitution of the Republic of South Africa;
- Local Government: Municipal Finance Management Act;
- Municipal Supply Chain Management Regulations;
- Local Government: Municipal Systems Act;
- Local Government: Municipal Structures Act;
- National Treasury Guidelines and Circulars;
- Costs Containment Regulations;
- Victor Khanye Local Municipality Supply Chain Management Policy;
- Victor Khanye Local Municipality Contract Management Procedure Manual.

4.2 Application and Framework of the Contract Management Policy

4.2.1 All officials and other role players in the Supply Chain Management system of the Victor Khanye Local Municipality must implement this Policy in a way that gives effect to:

- Section 217 of the Constitution;
- Section 116 of the MFMA;

- Section 33 of the MFMA;
- SCM Policy;
- SCM Regulations;
- Any other legislation pertaining to SCM.

4.2.2 This Policy applies when the Municipality:

- Procures goods or services;
- Disposes of goods and services no longer needed; and
- Selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.

5 ADOPTION, AMENDMENT AND IMPLEMENTATION OF THE CONTRACT MANAGEMENT POLICY

5.1 The Accounting Officer must:

- At least annually review the implementation of this Policy; and
- When the Accounting Officer considers it necessary, submit proposals for the amendment of this Policy to Council;
- In terms of section 62(1) (f) (IV) of the Act, take all reasonable steps to ensure that the Contract Management Policy is implemented.

6 REVIEW OF THE POLICY

- 6.1** This Contract Management Policy is the sole Policy governing contract management in the Municipality. The Municipal Council must approve any reviews to this Policy.
- 6.2** The Mayor must submit any proposed changes to this Policy to the Council as part of the annual review of policies submitted with the budget documentation.
- 6.3** Whenever the Minister of Finance or the National Treasury or the Auditor-General requires changes to the Policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.

7 ROLES AND RESPONSIBILITIES OF OFFICIALS AND TERMS OF REFERENCE:

7.1 Manager SCM:

- 7.1.1 The Manager responsible for SCM is the SCM Official responsible for system administration status, (Assistant manager supply chain management) and SCM performance reporting on all contracts related activities.
- 7.1.2 For the purposes of contract management activities performed by the relevant role players, the Manager SCM (Deputy Chief Financial Officer) will convene the

meeting on contract management to report to the contract management committee on the following activities:

- Identification and classification of contracts for management purposes in terms of the SCM processes;
- Recognition, measurement and disclosure; oversight of contract management as is provided for in this Policy;
- Document and information management;
- Relationship management;
- Contractor performance management;
- Contract risk management;
- Inform the Asset Management section of the location of newly procured assets for asset register and insurance purposes;
- Ensure performance of suppliers is managed appropriately to the terms and conditions of the contract; and
- Request a report on Monitoring and evaluation of performance of the contracts from the end user departments.

7.2 Deputy Manager Legal Services:

7.2.1 The Deputy Manager: Legal Services, shall be responsible for the following activities:

- Ensuring that all the necessary legal formalities in entering into the contract are adhered to;
- The Deputy Manager Legal Services and the End User department must keep a copy of the Service level agreement and the original SLA must be kept at Record unit for audit purposes;
- That reports on the SLA's developed are submitted to Committee on Contract Management for consideration.

7.2.2 Shall ensure that the following officials provide quality assurance prior development of the Service Level agreement namely:

- The Assistant Manager Supply Chain Management Unit.
- The Chief Internal Auditor.
- The Assistant Manager Risk Management.
- The Assistant Manager IDP.
- The Assistant Manager Budget.

- The Assistant Manager Performance Management Service.

7.2.3 Shall ensure that the Assistant Manager Records and Archives and Assistant Manager SCM, provide a completed checklist of the bid documents and reports from the supply chain management unit on the newly appointed contracts respectively.

7.3 Contract Management Committee Members:

7.3.1 Shall develop a schedule on contract management meetings.

7.3.2 That the committee shall convene a meeting on contract management once monthly unless circumstances necessitate that the meeting be held more than the specified time frame.

7.3.3 The Committee will develop a contract register in conformity with the treasury standard.

7.3.4 That the Committee will Consider irregularities on the appointed contracts and make recommendations.

7.3.5 The committee will determine the review of contracts for which extension is necessary for consideration by the Bid adjudication committee.

7.3.6 The committee will consider terminating and terminated contracts.

7.3.7 The committee shall consider a report on the contract(s) which are about to terminate at least six months' prior the actual termination date and recommend to the Bid adjudication committee on a need for extension if necessary.

7.3.8 The committee must entertain reports by the end user departments on the performance management, monitoring and evaluation of contracts.

7.4 Municipal Manager:

7.4.1 The Municipal Manager is responsible for signing of contracts with the relevant service providers, in line with the Delegation of Powers and Responsibilities.

7.4.2 The Municipal Manager is ultimately accountable for the institutional contract management.

7.5 Contractor Performance Evaluation

7.5.1 All project managers and/or end users must be responsible to monitor and evaluate the performance of contracts duly appointed in their respective departments.

8 TYPES OF CONTRACTS

8.1 Lump Sum (Firm Fixed Price) Contract

- 8.1.1 Lump sum contracts are used mainly for assignments in which the content and the duration of the services and the required output of the consultants are clearly defined.
- 8.1.2 They are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, and so forth.
- 8.1.3 Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents and software programs.
- 8.1.4 Lump sum contracts are easy to administer because payments are due on clearly specified outputs.

8.2 Time-Based Contract

- 8.2.1 This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others for which the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess.
- 8.2.2 This type of contract is widely used for complex studies, supervision of construction, advisory services, and most training assignments.
- 8.2.3 Payments are based on agreed hourly, daily, weekly, or monthly rates for staff (who are normally named in the contract) and on reimbursable items using actual expenses and / or agreed unit prices.
- 8.2.4 The rates for staff include salary, social costs, overheads, fees (or profit), and, where appropriate, special allowances.
- 8.2.5 This type of contract should include a maximum amount of total payments to be made to the consultants. This ceiling amount should include a contingency allowance for unforeseen work and duration and provision for price adjustments, where appropriate.
- 8.2.6 Time-based contracts need to be closely monitored and administered to ensure that the assignment is progressing satisfactorily, and payments claimed by the consultants are appropriate.
- 8.2.7 Again the Guidelines on fees for Consultants issued by the Department of Public Service and Administration should be used as a benchmark to establish the appropriate tariffs, or to determine the reasonableness of the tariffs.

8.3 Percentage Contract

- 8.3.1 These contracts are commonly used for architectural services. They may be also used for procurement and inspection agents.
- 8.3.2 Percentage contracts directly relate the fees paid to the consultant to the estimated or actual project construction cost, or the cost of the goods procured or inspected.
- 8.3.3 The contracts are negotiated on the basis of market norms for the services and / or estimated staff-month costs for the services, or competitive bid. It should be borne in mind that in the case of architectural or engineering services, percentage contracts implicitly lack incentive for economic design and are hence discouraged.
- 8.3.4 Therefore, the use of such a contract for architectural services is recommended only if it is based on a fixed target cost and covers precisely defined services (for example, not works supervision).

8.4 Indefinite Delivery Contract (Price Agreement)

- 8.4.1 These contracts are used when Accounting Officers / Authorities need to have "on call" specialized services to provide advice on a particular activity, the extent and timing of which cannot be defined in advance.
- 8.4.2 These are commonly used to retain "advisers" for implementation of complex projects (for example, dam panel), expert adjudicators for dispute resolution panels, Accounting Officer / Authority reforms, procurement advice, technical Trouble-shooting, and so forth, normally for a period of a year or more.
- 8.4.3 The Accounting Officer / Authority and the firm agree on the unit rates to be paid for the experts and payments are made on the basis of the time actually used.

9 CONTRACT CREATION

- 9.1.1 The contract is created through three key stages of tender namely: pre-tender, tendering and post tender / contract management. All of these must be governed by rigorous governance principles.
- 9.1.2 The pre-tender stage includes needs assessment, planning and budgeting, development of specifications and selection of the most suitable procurement strategy. The tendering stage includes the invitation to tender, evaluation and adjudication of bids. Post-tender includes contract management, ordering and payment. It is important that efficient governance principles be applied to all these stages of contract creation.

9.2 The Pre-Tender or Demand Management Stage

- 9.2.1 Demand planning, procurement planning, items and specification management, and supplier management are critical phases in the pre tendering stage. This stage ensures that goods, services, construction work and other purchases are

properly planned and aligned to the procuring entity's strategy and resource plan. This alignment is critical to ensuring that goods are delivered at the right time, place and price, in the right quantity and of the right quality. It is at this stage that a comprehensive needs analysis is carried out in line with the strategic planning process.

- 9.2.2 Procurement plans indicate what purchases an institution will undertake in the short, medium and long-term. Proper planning should reduce delivery delays, eradicate recurring contracts and unnecessary extensions, and eliminate the need for emergency procurement. Further, procurement plans should inform suppliers about future opportunities.

9.3 The Tendering or Acquisition Management Stage

- 9.3.1 This stage includes the invitation to tender, and evaluation and adjudication of bids. To avoid lack of competition and conflict of interest, all potential bidders must have access to the same tender information. Information in the bid documents should include details of the product or service to be procured, specifications, quantities, the timeframe for delivery, realistic closing dates and times, where to obtain documentation, where to submit tenders and a clear, complete and non-discriminatory description of the selection and award criteria. These cannot be altered after the closing date.
- 9.3.2 Municipalities must have clear procedures for opening the tender box to avoid manipulation of the bids received, this must be done before a public audience and basic information disclosed and recorded in a register. They must also ensure that members of their bid evaluation committees and bid adjudication committees are familiar with and adhere to National Treasury norms and standards when evaluating and adjudicating bids.

10 CONTRACT MANAGEMENT LIFECYCLE

- 10.1 The lifecycle begins with setting direction; high-level objectives and policies for the Municipality. This leads to the identification of needs of the Municipality that can be fulfilled by acquiring goods, works and / or services to fulfil the need. Once the service is acquired, Contract Management comes into effect. An ongoing analysis of municipal needs is critical to ensure that goods, services and works provided are what the municipality and entity really need.
- 10.2 An effective Contract Management life cycle constitutes planning, contract arrangement, administration, performance management and close out.
- 10.3 **Stage 1: Planning**
 - 10.3.1 This stage refers to consideration of contracts during the planning and budgeting processes. These processes will identify the need for contract

creation and timeframes for implementation to ensure that delivery of goods and services occurs as approved in the budget.

- 10.3.2 During the strategic planning phase of the institution, goods, works and services required to execute the identified functions are determined and captured in the procurement plans.
- 10.3.3 Procurement plans containing all planned procurement for the financial year in respect of the procurement of goods, services and works which exceed R200 000.00 must be submitted by Accounting Officers to Gauteng Provincial Treasury by the 31 July of each year. Records of planned procurement below R200 000.00 may be kept for contract reporting and monitoring.
- 10.3.4 The Procurement Plan document provides detailed information about the description of goods, services and works, estimated value, envisaged date of advertisement, closing of bid and date of award including the responsible office.
- 10.3.5 Contract management unit / function will in consultation with the Supply Chain Management unit be responsible for monitoring contracts in line with the projects listed in the procurement plans and approved budgets.
- 10.3.6 It is vital for Contract Management unit / function to monitor contracts accordingly with approved procurement plans after award as it can lead to significant improvement on service delivery.
- 10.3.7 Contract planning should also cover the entire Service Delivery Budget Implementation Plan (SDIBP) period and beyond where applicable.

10.4 Stage 2: Contract Arrangement

10.4.1 This stage refers to the arrangement of signing the contract, making it legally enforceable and formalizing the terms and conditions concluded between parties.

10.4.2 The unit / function responsible for Contract Management will arrange for the signing of the contract as follows:

- Submit the tender document, which becomes the contract, to the Municipal Manager for signature.
- Issue an appointment letter, signed by the CFO and relevant head of department, to the successful bidder;
- Arrangement of a Service Level Agreement (SLA) and / or contract document with the end user, if applicable. The SLA must be legally sound and vetted by the Municipal Legal Service prior to signing of the parties;
- Capture contract award details in the Contract Management system of the Municipality and Contract Registration Application (CRA);
- Original signed contract resides with Contract Management unit, copy of which will be scanned and archived in supply chain filing system of the municipality; and
- A copy of the signed contract is issued to the end-user to prepare requisition for creation of purchase order.

10.5 Service Level Agreement

10.5.1 Service level agreements are negotiated agreements for the delivery of specified services between the contractor and the Municipality. An SLA is compulsory and is solely at the discretion of the Municipal Manager, especially if the specifications in the tender document is not sufficient. The SLA specifies services or goods required. The level of quantities and quality of service to which both parties agree and designed to indicate and evaluate the quality of the service delivered. Agreement is negotiated at the commencement of a contract and involves the understanding of the needs and constraints of both parties.

10.5.2 The purpose of developing SLA's and setting service levels is to enable the municipality to monitor and control the performance of the service received from the contractor against agreed standards. Service levels should be agreed by both parties and these are:

- Established at a reasonable level in line with the TOR / Specifications which contain the scope of work.
- Prioritized by the municipality in order of importance and on an agreed scale for example: critical, major, urgent, important, minor, easily monitored, such as objectives, tangible and quantifiable.

- To conclude the SLA within the shortest possible timeframe after the award of a contract as best practice;
- Unambiguous and understandable by all parties.
- Open to re-negotiation if justifiable to do so.
- The contractor and the municipality jointly identify a statement of expectations and ability, the cost of receiving the service and the basis for the calculation of costs.

10.5.3 The contractor is accountable for the quality and performance levels of the services and the availability thereof. One of the principle objectives of a SLA is that both parties understand the basis and intent of the terms and conditions under which the services are to be delivered.

10.5.4 The definitions of terms should be an integral part of the negotiation and discussion process between the two parties. If there are other terms identified during discussions that are not in the list of defined terms, they should be added. Negotiations should include the following conditions:

- Not allow any preferred bidder a second or unfair opportunity;
- Not to the detriment of any other bidder.
- Not lead to a higher price than the bid as submitted.

10.5.5 It must be noted that a SLA is an agreement in its own and it should therefore not be used to change or refine the stipulations contained in the bid documents.

10.5.6 The list of common provisions is not exhaustive and other provisions will need to be drafted to suit the particular contractual arrangement; as a result, professional advice should be sought to assist with drafting specific SLA provisions.

10.6 Legal Vetting of Service Level Agreement / Formal contract

10.6.1 Prior to signing a formal contract or service level agreement with a contractor, Accounting Officers / Authorities must ensure that such contracts or agreements are legally sound to avoid potential litigation and to minimize possible fraud and corruption.

10.6.2 This must include legal vetting by at least the Legal Services of the municipality and such contracts or agreements must be actively managed in order to ensure that both the institution and the contractor meet their respective obligations.

10.6.3 The legal division provides expert advice to the Contract Management unit and must be consulted in the following circumstances:

- Vetting of contract documents and service level agreements.
- Dispute resolutions, implementation of contract terms and conditions.

- Contract change of ownership, breach of contract, penalties, terminations, enforcement of indemnities, guarantees and contractual claims.

10.7 Stage 3: Contract Administration

10.7.1 This stage is important in Contract Management and overlaps with monitoring and performance assessment. It encompasses various activities that need to be completed on a day-to-day basis, including among others:

10.7.2 Contract Register

- All approved contracts are registered in the Contract Management System / Tool to enable easy retrieval and identification of all contractual arrangements.
- Contracts that are partially executed, signed by one party, may be registered into the Contract Management System prior to forwarding to other parties for signature. The Contract Management unit / function should ensure that all signatures are obtained and contracts are updated in the system.
- Contract registers should be used to monitor contract end dates in order to notify the end user to commence with the procurement strategy on time, at least 6 or 12 months prior to the expiry of the contract.
- Effective contract register should have the following characteristics:
 - Contract number, name of contractor, description, award date, type of contract, amount, contract period, department, project manager, contact details, expenditure, commitment;
 - This will simplify the reconciliation or cross-check between the register and the Municipality's financial management information system;
 - Expenditure against the contract and value of commitment.
- Contract register report will be established detailing status of contracts and the reports to be provided by the 6th of every month to the Head of SCM on the following:
 - Valid contracts in place.
 - Contracts due to expire in six or twelve months.
 - Contracts extended.
 - All expired contracts.
 - Contract variation.
 - Cancelled contracts.
 - Contracts captured on the system; (where applicable)
 - Value of commitments.
 - Value of accruals.

- The Accounting Officer of a Municipality must annually report to the council of the Municipality on the management of the contract or agreement and the performance of the contractor.

10.7.3 Contract Payments

- Payments should be made in accordance with the provisions of the contract after delivery and budget confirmation should be attached by the end user before effecting payments.
- Evidence of delivery is required that the end user has certified that the work has been satisfactorily executed and met the required standards of performance, e.g., Goods Received Voucher (GRV), Payments certificates, etc.
- Payments for satisfactory performance should not be delayed because this can undermine the relationship with the service provider. All payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, from the date of settlement or court judgment. This implies that amounts owing must be paid within 30 days from receipt of invoice if the goods, works or services were delivered to the satisfaction of the Accounting Officer or delegated authority.
- In cases where a discount is not a contract condition and the contractor offers a discount on the invoice, the discount if possible must be utilized for instance by making the payment within the time limit specified on the invoice.
- In the event that only part of the invoice is queried, arrangement should be made to pay that portion of the amount payable which is not subject to dispute, and separately take action to remedy the disputed amount.
- Payment outside the prescribed period of 30 days from receipt of invoice is deemed to be a contravention and may be reported as such by the Auditor-General as part of its audit finding.
- Interest incurred on late payments will be declared fruitless and wasteful and should also be disclosed as such in the Annual Financial Statements.

10.7.4 Contract Variation

- It is recognized that, in exceptional cases, an Accounting Officer may deem it necessary to expand or vary orders against the original contract. The reasons for the variation should be clearly documented and should occur in defined circumstances.
- A variation is mostly issued when extra work is added to the project after the contract has been signed. Deliverables and value for money should be assessed.

- In order to mitigate against such practices, Accounting Officers / Authorities of Municipalities and Municipal Entities are directed that contracts may be expanded or varied by not more than 20% for construction related goods, services and / or infrastructure projects and 15% for all other goods and / or services of the original value of the contract. Furthermore, any variation beyond the abovementioned thresholds must be reported to Council or the Board of Directors.
- An expansion or variation in excess of the threshold where the contract or agreement procured through the Supply Chain Management Policy of the Municipality may be amended by the parties.
- The reasons for the proposed amendment should be tabled in the Council of the Municipality. The local community should be given reasonable notice of the intention to amend the contract or agreement; including an invite to submit representations to the Municipality as stated in Municipal SCM circular 62.
- Such reports must include among others, the contract number, description, name of contractor, original contract amount, value and percentage of the variation and the reasons thereof.
- End users also need to ensure that contract variations are not of such a level that they significantly change the contract requirement and / or substantial parts of the original transaction. If this is the case, it may be necessary to undertake another procurement process because the revised arrangements are substantially different to those selected through the original procurement. However, the Municipality should be aware of the following impacts associated with amendments, namely, financial resources and litigations.
- No variation or modification of the terms of the contract may be made except by a written amendment signed by the contracted parties.
- Municipalities should be aware of the impact that variation orders may have and should therefore endeavour to restrict the application to the absolute minimum through proper planning, comprehensive scope of work / Terms of Reference when inviting bids or quotations.
- The Contract Management unit / function will forward the submission to the relevant committee as per municipal delegation authority for approval if consultation with legal services is required.
- Upon approval, the Contract Management unit / function will issue a letter of amendment / addendum to the contractor and also inform the end-user to prepare a purchase requisition to create an order.
- A contract cannot be varied after the original contract has ceased to exist.
- The Contract Management unit / function will update the contract register and applicable Contract Management system.

10.7.5 Contract secured by other organs of state.

- The Municipality must obtain approval according to the municipal delegation of authority to procure goods, works and / or services under contracts secured by another organ of state. Accounting Officers should satisfy themselves that the applicable procurement processes were followed by obtaining any other information, including but not limited to, the following documents from the other organ of state:
 - The bid advertisement.
 - BSC, BEC and BAC appointment letters.
 - Bid Evaluation report and minutes.
 - Bid Adjudication report / minutes.
 - Acceptance letter; and the Service Level Agreement / Contract document.
- The Municipality must enter into a separate service level agreement (addendum) in line with the specification in Terms of Reference of the goods or services between the consenting service provider and the requesting municipality may not exceed the contract period concluded in the original contract of the organ of the state.

10.7.6 Contract Price Adjustment

- Contractual conditions must stipulate circumstances under which the adjustments shall be considered and the process to be followed.
- When prices are subjected to adjustment as a result of escalation in prices of labour and material, the contractor must indicate the various elements of the contract price that will escalate (e.g. labour, transport, fuel, protective etc.). The baseline date and relevant index and index numbers which were used in calculating the price.
- Where a firm price is quoted, application for an adjustment of price will not be considered. However, if the increased price is as a result of unforeseen circumstances beyond the control of the contractor and could lead to his / her downfall such application may be considered. (Only statutory increases and cost factors). Such adjustments are to the disadvantage of the Municipality thus it must be approved by the Accounting Officer or delegated authority.
- The contractor will submit a letter to the end-user requesting price adjustments together with documentation substantiating or motivating for the adjustment. The application should be in line with signed terms and conditions of the contract and according to pricing schedule and costs.

- The end-user will submit a request to Contract Management unit for consideration, and calculation should be prepared to justify the escalation or price adjustment thereof.
- Approval of the price adjustment should be done within the municipal delegation authority by the Municipal Manager.
- The amendment letter will be issued to the contractor and end user on acceptance of the price adjustment.
- The contract register will be updated and the applicable Contract Management system.

10.7.7 Contract Expiry Notification

- SCM unit in collaboration with Contract Management unit / function is responsible to ensure that timeous arrangement is made to notify end users when a contract is due for renewal within 6 months or 12 months prior to expiry. Communication with the end users must be in writing and documentation must be properly filed.

10.7.8 Extension of Contract

- Extension of a contract is undesirable because it often leads to uncontrolled increases in the contract prices and it can also be a contributing factor to circumventing the procurement processes. Lack of proper planning does not constitute a justifiable reason for dispensing with prescribed bidding processes by extending contracts.
- Where justifiable reasons are provided for extending a contract, the relevant application may be considered favourably and contractors may be approached by SCM unit with the request to indicate whether they are prepared to extend the contract period.
- Approval to extend the contract should be requested before the expiry date of the contract taking into account the existing terms and conditions of the contract. It is advisable that when a contract is extended, terms and conditions remain the same.
- The applicable Contract Management system must be updated.

10.7.9 Transversal Contracts

- Transversal contracting enables the Municipality at all levels to purchase goods and services from a central list of approved suppliers who have been vetted for cost and quality.
- Participating Municipalities will be responsible for Contract Management, placing purchase orders against transversal contracts, paying suppliers for goods / services rendered satisfactorily according to the terms and conditions of the contract, monitoring and reporting supplier performance.

10.7.10 Records Management

- Proper records regarding all aspects of the contract must be maintained in the Electronic Contract Management System and/or manually and kept in accordance with relevant legislation.
- All communication related to contracts should be linked to the master document on the electronic contract management system.
- Safe custody of all contract documents must be enforced by all relevant users.
- Municipal Contracts Officer and the Executive Managers shall be responsible for the electronic capturing and feedback of contract/s to the Contract Management system in conjunction with the records department.
- The originally signed contract should be sent to the records department (by the user departments) for safekeeping and storage. Directorates will however be allowed to keep copies of contracts and bid documents for assessment purposes.
- The records department is responsible for the booking systems of contracts.
- It is important that the updated version of the contract incorporates any variations and correspondence related to the contract document and should be appropriately stored. This provides the basis for effecting payments and the ongoing management of the contract.
- All tender documents and contract documents relating to a specific tender must be stored at the Supply Chain Management unit.

10.8 Stage 4: Contract Performance Management

- 10.8.1** Performance management involves, performance monitoring, collecting data on performance, performance assessment, deciding whether performance meets the entity's needs, and taking appropriate action – such as understanding and

extending features of good performance, correcting areas of under-performance; or amending contract requirements to meet changing needs.

- 10.8.2 A contract or agreement procured through the Supply Chain Management Policy of a Municipality must stipulate the terms and conditions of the contract or agreement, which must include provisions for a periodic review of the contract or agreement once every three years in the case of a contract or agreement longer than three years to determine value for money.
- 10.8.3 The Accounting Officer / Authority or delegated authority of a Municipality must monitor on a monthly basis the performance of the contractor under the contract or agreement.
- 10.8.4 Performance management must be undertaken throughout the life of the contract and for all contracts, whether simple or complex. Along with performance indicators and standards, arrangements for monitoring and assessment should have been set out and agreed in the contract along with remedial action plans on non-performance.
- 10.8.5 The performance monitoring and assessment arrangements should also have been reviewed at the contract start up stage and any necessary plans, tools or systems developed. Systematic monitoring underpins performance assessment, and these do not occur in isolation from one another.
- 10.8.6 Poor performance should be recorded appropriately after engagement with the contractor. It should be taken into account that if proper record is not kept, such non- performance cannot be deemed a sound reason for passing over such contractor when evaluating future bids. In addition to any contractual or other remedies that may be pursued, the municipality may commence action in terms of Municipal Supply Chain Management Regulation 15(2) (d), thus the Accounting Officer must:
- Inform the contractor or person(s) by registered mail or by delivery of the notice by hand of the intention to impose the restriction, provide the reasons for such decision and the envisaged period of restriction;
 - Allow the contractor and / or person(s) fourteen (14) calendar days to provide reasons why the envisaged restriction should not be imposed.
 - If requested, allow the contractor and / or person(s) the right to present evidence in person and consider reasons submitted by the contractor.
 - Impose the restriction or amended restriction.
 - Inform the contractor and/ or person(s) of the decision; and
 - Inform the National Treasury within five working days of such restriction, particulars of the person(s) to be restricted, (including, where applicable, names of the restricted persons, identity numbers, trade name of enterprises, company registration numbers, income tax reference numbers and vat registration numbers), the reason(s) for the restriction, the period of restriction and the date of commencement of the restriction.

10.8.7 In practice, performance will be assessed, feedback and reports provided throughout the monitoring process.

10.8.8 The following are the reports to monitor performance of contracts on monthly basis:

(a) Progress Reports

- The end-user will complete a progress report indicating the stage of contract; achievement of milestones as per contract agreement; response time and deliveries within the contract period; quality of work, payments; poor performance; and actions.
- The progress report will be regularly submitted to the unit / function responsible for Performance Management for deliberations, recording discrepancies and filing. (Submission of progress reports will be determined by the nature and timeline of the project)

(b) Performance Score Cards

- The score cards will be applicable to once off purchases for goods and services where the end-user completes a score card after receipt of goods and services rating the performance of the contractor against agreed milestones and ensuring that goods / services are received within the agreed timelines, acceptable quantity and quality. Furthermore, the score card will compel the end user to comment on the overall performance of the contractor.
- The completed score card will be submitted to the Performance Management unit for deliberations; recording and determining the aggregate performance of contractor and where applicable contractor database will be updated. (This implies that score performance cards will apply to once off purchases and progress reports will be used to assess performance of long-term projects)

(c) Expenditure Report

- The Contract Management unit will on a regular basis extract the expenditure report where the contract value will be verified against the progress payments and validity of the contract;
- Discrepancies identified should be communicated timeously to the end-user and CFO to curb irregular expenditure.

10.8.9 Contract Relationship Management

- It is important to establish and maintain a constructive relationship with the contractor and have regular communication. Providing positive and constructive feedback will assist in maintaining such a relationship.

Overall responsibility • Each party nominates one person with the appropriate skills and experience as its representative to be responsible for the co-ordination and management between the parties over the life of the contract.

Weekly performance • Nominated representatives, including the contractor's service delivery manager and the project management meet formally to review performance; aimed at discussing and resolving any minor issues relating to the performance of the contract.

Contract Management • At least quarterly, or regularly, a formal meeting is held. The meeting comprises senior representatives from the end user and the contractor. The purpose is to formally monitor performance of the contract, consider any ways in which services may be improved, amendments to service levels and resolve, where possible, any issues that remain unresolved from the weekly contract meetings.

- Relationship management is focused on keeping the relationship between the two parties' open and constructive, resolving or easing tensions and identifying problems early.
- Relationships should always be managed in a professional manner and be based on cooperation and mutual understanding taking into account the need for ethical behaviour.
- Apart from formal monitoring, and in order to improve trust between the parties to the contract, it is important that the parties maintain regular contacts without waiting for the official reporting deadlines.

10.8.10 Contract Disputes Management

- A contract or agreement procured through the Supply Chain Management system of a Municipality must stipulate the terms and

conditions of the contract or agreement, which must include provisions providing for dispute resolution mechanisms to settle disputes between the parties.

- During the Contract Management phase, a disagreement becomes a dispute when it is not possible for the parties to resolve it without resorting to a formal resolution mechanism. Generally, what a dispute is and when it is deemed to have occurred is defined in the contract, often in a dispute resolution clause.
- Many disagreements and disputes arise when the parties cannot agree on issues related to the interpretation of contract provisions, the definition of deliverables, meeting performance standards and/or the effect of unexpected events.
- It is important that any possibility of dispute or an actual dispute be recognized at an early stage and addressed as quickly as possible. Avoiding escalation of disagreements can impact on contract deliverables and reduce the costs to both parties.
- Where a dispute arises, the Contract Management Unit / function will obtain evidence from both parties and refer the matter to the legal service for opinion. The outcome and recommendation of the dispute will be submitted to the BAC for review and final recommendation to Accounting Officer / Authority for approval.
- In the case of non-performance, a letter informing the contractor that contract conditions have not been honoured should be issued affording the contractor at least 14 days to respond. If the contractor does not respond within the specified period, the Municipality shall without prejudice under the contract consider termination of the contract

10.8.11 Forms of Dispute Resolution

- The following forms of dispute resolution should be considered as options in the special condition of contracts:

Negotiation Negotiating between the Municipality and the contractor is the most common approach to resolving disagreements and disputes. The intention of the negotiation is to reach a mutually acceptable solution, where both sides consider they have gained the best possible result in the circumstances. It is important that one party does not consider they have been unduly pressured to agree to a particular solution as a result of the negotiation as this can lead to an escalation or reappearance of the dispute at a later stage.

- Mediation** Mediation involves the use of a neutral third party to assist in resolving the dispute. The mediator does not impose a decision on the parties in the way a court or arbitrator does, but instead seeks to help the parties resolve the dispute themselves. Mediation is usually regarded as a faster, less formal and less costly process than court proceedings or arbitration.
- Arbitration** The aim of arbitration is to obtain a final and enforceable result without the costs, delays and the formalities of litigation. Arbitration proceedings are private, can be held at a mutually convenient time and the actual proceedings are less complex than litigation.
- Litigation** Litigation is the act or process of contesting a lawsuit or seeking redress through the courts. It can be an expensive and time consuming procedure and is generally taken when other avenues of dispute resolution have not been successful or are not available. Other approaches to resolving disputes or Contractor defaults should therefore be considered prior to litigation.

10.8.12 Risks Related to Contract Management

- Contract risk must be appropriately managed such that:
 - All contracts set out risk identification, monitoring and escalation procedures and mechanisms which are in line with the institutions enterprise risk management plan.
 - All contracts identify contingency plans for supplier or buyer failure.
 - For key suppliers and buyers, the contract manager monitors the financial health, tax compliance and overall performance of the supplier or buyer.
 - Contract terms and potential ramifications around key issues including termination; warranty; indemnity; security; confidentiality; and dispute resolution are understood by the contract manager.

10.8.13 Penalties

- Penalties between the Municipality and the contractor may include:
 - Penalties: In accordance with paragraph 22 of the General Conditions of Contract, the Municipality will have the right to enforce the penalty clause on goods, works and services where the contractor fails to perform in accordance with contractual obligations.

- These penalties usually vary according to several factors, including the type of breach and its severity, duration, frequency, and effect on customers.
 - The benefit of this approach is that the penalties are clear, agreed on, and more easily enforceable than a general claim for damages.
- Some of the risks involved with contracts and penalty clauses to be applied per nature of contract:

Risk	Penalty clause
Late delivery	<ul style="list-style-type: none"> • Where deliveries are made (after the agreed delivery date), the purchaser has the right to enforce the penalty clause by deducting from the contract price a sum calculated on the delivered price of delayed goods or unperformed services using the ruling prime interest rate calculated for each day of the delay until actual delivery of performance • In case of a delay in excess of 4 weeks, the Municipality is entitled to declare the order null and void without any cost being charged for this. The statutory cases of force majeure are considered to be reasons to suspend the agreement if they make the execution of the order impossible and in so far the supplier notifies the Municipality in writing within 5 days.
Non delivery	<ul style="list-style-type: none"> • Termination of the contract if delivery does not take place within 4 months or cancellation of the order. (To reduce open ended commitments) • In the event of non-delivery, and upon comprehensive justification that the contractor has been engaged to remedy the unsatisfactory performance, the Municipality may impose as a penalty, a sum calculated on the delayed goods or unperformed services using the current prime interest rate calculated for each day of the actual performance
Inferior quality	<ul style="list-style-type: none"> • Enforcement of contract conditions • Settlement of disputes
Inability of contractor to	<ul style="list-style-type: none"> • Performance securities should be applied. The contract should dictate what must happen with the security if the contract is not to be completed and the Municipality

perform as required	suffered losses, the performance security shall be utilized to compensate for any loss. The SCC must specify the performance security amount.
Buy out transactions from transversal contracts	<ul style="list-style-type: none"> • When the time provided for the contractor to respond to the claim of non- performance has lapsed, the Municipality can buy out and any difference in cost must be recovered from the contractor.
Sub-contractors not performing	<ul style="list-style-type: none"> • Disputes must be resolved between the main contractor and his sub-contractors. • Liability and obligations are under the contractor. • Enforce Termination of default • Prohibit supplier from rendering any goods, service, and works in organ of state – Restrict supplier on the National Treasury 's Central Supplier Database
Skills not transferred in terms of consultant's services	<ul style="list-style-type: none"> • The Municipality shall deduct from the contract price a percentage as a penalty for not transferring skills or for underperformed service.
Breach of contract	<ul style="list-style-type: none"> • Termination of default and recover any loss which the Municipality suffered as a result of arranging another contract
Contractor unfairly benefited using wrong preference points	<ul style="list-style-type: none"> • Misrepresentation of preference points should constitute termination of contract if it is justifiable and will be defendable in the court of law • Impose a penalty of a percentage of the monetary value of the contract
Prohibition of State employees doing business with state	<ul style="list-style-type: none"> • No contracts must be awarded to state employees

10.8.14 Transfer and Ceding of Contracts

- The General Conditions of Contract section 19.1 dictate that the supplier shall not assign, in whole or in part, its obligations to perform under the contract except with the purchaser's prior written consent.
- The Special Conditions of Contract should stipulate the conditions under which transfers / cessions shall be considered and the processes to be followed under such circumstances.
- Applications for transfers / cession shall be completed and signed by both the transferor and the transferee and countersigned by two parties.
- Full reasons for the transferring of the contract must be provided and the transferee's ability to carry out the contract must be established and reported to the Accounting Officer or delegate.
- Unless it is otherwise in the best interest of the Municipality, it is unlikely that the transfer will be approved if the Municipality would suffer a loss as a result thereof or if there is an increased risk to the Municipality.
- The principle of fairness dictates that should the contract be transferred to another provider it must be checked whether the number of preference points scored is at least the same or more than that scored by the original contractor. Thus it should be indicated if the transfer would have had an influence on the award. However, the circumstances leading to the transfer must be pointed out and taken into consideration.
- The contractor will raise the issue with the user division in writing where after the user division must comment on the viability of the transfer / cession and submit the request to the SCM unit / CSC.
- If the transfer / cession is not viewed favourably for a justifiable reason, the SCM unit must inform the contractor of the decision in writing and provide the user division with the copies of the correspondence for filing purposes.
- If the transfer / cession is viewed favourably, the SCM unit must involve Legal Services for the purposes of drawing up the transfer / cession documentation.
- The SCM unit must facilitate the signing of the transfer / cession by all parties, must forward a copy to the user division and the contractor and must file the original signed transfer / cession documentation appropriately.
- If the transfer/cession is not approved the original contractor will still be accountable to execute the contract.

10.8.15 Termination of the Contract and Exit from the Relationship

- Contract termination is the last resort to be sought by Municipality when dealing with disputes and non-performance. It should be taken into consideration that solving disputes through courts usually costs a lot of time and money.
- Termination of a contract may be considered for a variety of reasons, such as non-compliance with contract conditions, delayed deliveries, bribery, death or sequestration/liquidation of the contractor.

- If termination is considered, the following factors must be addressed to the Bid Adjudication Committee:
 - The particular contract condition empowering the action for the purpose of resolving any dispute;
 - What further arrangements will be made for completing the contract;
 - Whether additional cost will be recovered from the contractor; and
 - Payment of work already executed prior to cancellation of the contract.
- The contract should contain detailed provisions on the mechanism to terminate all or part of the contract and exit from the relationship.
- Under the following conditions, Municipalities may consider their rights to terminate the contracts through delegated authority if they are appropriately drafted:
 - Failure to meet the service performance targets for critical services on a repeated basis;
 - Failure to meet a certain number of service performance targets during a specified period or supplier has engaged in corrupt and fraudulent practices during the bidding process or the execution of the contract;
 - Material breach of terms and conditions with the breach being either irreparable or not having been remedied within a specified period;
 - Major financial difficulties being encountered by the contractors (e.g. under liquidation);
 - Failure to meet mandatory requirements or failure to acquire certain accreditation or license or approval during the life of the contract.
- Exit provisions should be included in the contract to cover specific rights that will be required for termination, such as:
 - The continued provision of the services following the notification of termination.
 - The right of Municipalities or the new contractors, if necessary, to approach key members of the contractor's staff and to offer them jobs so as to retain the delivery capability;
 - The right to perform inventory check of assets owned by Municipalities;
 - The right to transfer ownership of assets and equipment upon termination; and
 - The migration of data and systems and the provision of relevant information to Municipalities or the new contractor.

- Contracts must include the possibility to be terminated. This will normally include the details of timing including periods of notice (exit clause) and direction on the payment upon termination. The contract or agreement will have stated the initial term with specified period after which either party may terminate or renew the agreement, provided both parties agree to the terms and conditions.
- Termination of a contract is usually detrimental to the municipality; therefore, serious thought must be given to the grounds for considering termination with legal assistance.
- The Contract Management System must be updated by cancelling the contract on the system and contract register.

10.9 Stage 5: Close Out

10.9.1 This stage refers to the necessary actions to end or reconsider the contractor for future agreement and associated performance review. The activities associated with closing the project down, whether in accordance with the contract or as a result of early termination.

10.9.2 At the completion of the contract, the end-user will provide the contract close out report indicating overall performance of the contractor; stage of contract; achievement of milestones against the original contract agreement and timelines, payments; poor performance; action and other observation.

10.9.3 The close out report will be submitted to Contract / Performance Management team for deliberation; filing purposes; recording discrepancies and where applicable a register and appropriate contract system will be updated. A close out report is applicable to contracts irrespective of contract period.

10.9.4 Different activities of course are associated with the different forms that contract termination can take. In the case of more complex, long-term or construction contracts ending in accordance with the original contract plan, best practice requires the need for evidence that the contract has been completed to the satisfaction of all parties. This is normally carried out in two stages.

- To ascertain internally that there are no outstanding matters and,
- To secure agreement from contractor(s) that, apart from agreed ongoing liabilities, the contract(s) has ended.

10.9.5 The aim of the closure procedure is to provide a mechanism for managing the closure of the contract following the end of any retention or guarantee periods and the resolution of all other outstanding matters. The procedure is designed (where and if applicable) to:

- Ensure completion of all administrative matters.

- Record that all technical issues have been completed;
- Determine the extent of any liquidated damages to be deducted from the contract price;
- Record the end of the retention and guarantee periods and the date of the final inspection carried out;
- Record the date of release of retention and / or bank guarantees;
- To agree a statement of specific limits on continuing contractual obligations after completion of work and any ongoing obligations following the end of guarantees or maintenance periods.
- Transfer any assets, including data and intellectual property, and any loan items;
- Transfer operational systems to the successful contractor.
- Record the process of final contract payments and a summary of the financial payments made and received;
- Summarise claims made against or received from the contractor;
- Ensure the retention of records relating to the contract to counter any subsequent claims that may be brought. The Limitation sets out the general periods for six years or twelve years according to the type of contract within which an action maybe brought.

10.9.6 On completion of this activity, agreement should have been reached on all technical and commercial aspects of the contract. The agreement should require the signature of the parties to a document which records the acceptance of the work or service, the obligations fulfilled and the price paid or to be paid.

10.9.7 Another important activity conducted at this stage, particularly in the case of high value, large contracts, is the preparation of a post-contract project report This may follow a formal post-contract review, undertaken to assess the business benefits or losses from carrying out the procurement, how those benefits may be further enhanced and / or costs and risks reduced and how the losses can be recouped and turned to benefits.

10.9.8 The review should also gather the lessons that can be learnt from the management processes and procedures followed during the contract and implemented in the future. The review should include the views of all stakeholders and the report should relate to the costs and benefits set out in the original business

11 CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

11.1 The Victor Khanye Local Municipality may not enter into any contract that will impose financial obligations beyond the 3 (three) years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

12 RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

- 12.1 Disputes on procurement contracts between the municipality and service providers shall be dealt with in accordance with the provisions of the Victor Khanye Local Municipality Supply Chain Management Policy as required by Section 116(1) of the MFMA.

13 CONTRACT PRICE ESCALATIONS

- 13.1 An appropriate contract price adjustment formula must be specified in the bid documents if deemed necessary.
- 13.2 Escalation notification must be in writing and presented before the implementation date thereof.
- 13.3 End-user departments are responsible to manage, verify and implement price escalations as per originally agreed terms and conditions set out in the specifications of the contract and keep proof of evidence to the newly agreed escalations on the system for all other relevant stakeholders to access.

14 PERFORMANCE ON CONTRACTS:

- 14.1 In terms of the SCM Policy and the Municipal Systems Act, the Accounting Officer must implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

14.2 Municipality's Performance:

- 14.2.1 The municipality is required to pay creditors within 30 days of receiving all relevant invoice statements.
- 14.2.2 The municipality is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.
- 14.3 All parties involved must perform according to the terms and conditions of the relevant contract, while the contract is alive except for the deviations which procedure must be dealt with in terms of the Municipal Supply Chain Policy.

14.4 Supplier / Service Provider's Performance

- 14.4.1 The supplier of goods and services is required to perform as per terms and conditions agreed upon and should inform Victor Khanye Local

Municipality if circumstances prevent them to perform, (with reasons provided) within 5 working days (to be included in all contracts).

- 14.4.2 For all relevant deviations from the agreed terms and conditions of any contract, the Key Performance Indicator (KPI) should be reviewed, as well as the alignment with the strategic objectives established in the IDP.**
- 14.4.3 Suppliers performance will be reviewed by the Victor Khanye Local Municipality Officials on a predetermined basis giving effect to section 116 of the MFMA, and the Performance Management System Implementation Policy.**

15 IN THE INSTANCE OF UNDER-PERFORMANCE

- 15.1 The Municipality will notify the service provider of underperformance identified.**
- 15.2 Corrective action should be documented in writing by the project manager.**
- 15.3 If the service provider fails to remedy the breach, the Municipal Manager may terminate the contract.**



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

LOSS CONTROL POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:

<i>"Accounting Officer"</i>	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
"Asset Control Practitioner"	shall mean the person appointed as Asset Practitioner under section 2.4 below
"Assistant Manager: Asset Management"	shall mean the person appointed as Assistant Manager: Asset Management under section 2.4 below
<i>"CFO"</i>	means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act No 56 of 2003
"Municipality"	shall mean the Victor Khanye Local Municipality
"MFMA"	shall mean the Municipal Finance Management Act 56 Of 2003

1. PREAMBLE

The Loss Control Policy provides a framework within which the Municipality will prevent, limit and reduce unnecessary losses. The policy also includes procedures to report losses to Management and the Insurance claims process.

2. ESTABLISHMENT AND IMPLEMENTATION OF LOSS CONTROL POLICY LEGISLATIVE FRAMEWORK

- 2.1 The Municipal Finance Management Act compels the accounting officer and officials within the official are of responsibility, amongst other things, to ensure that an effective, efficient and transparent system of risk management and internal control is established and carried out to prevent losses and to ensure the safeguarding and maintenance of all assets of the Municipality.
- 2.2 Section 62 (1) of the Municipal Finance Management Act states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take the all reasonable steps to ensure that resources of the Municipality are used effectively, efficiently and economically; that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control; that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented; that disciplinary or, when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- 2.3 Section 78 (1) of the Municipal Finance Management Act states that senior managers and other officials of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently; that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented and that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- 2.4 Section 79 (1) of the Municipal Finance Management Act states that the accounting officer of a municipality must, for the proper application of this Act in the municipality's administration, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration;
- 2.5 Section 176 (1) of the Municipal Finance Management Act states that no municipality or any of its political structures, political office-bearers or officials, no municipal entity or its board of directors or any of its directors or officials, and no other organ of state or person exercising a power or performing a function in terms of this Act, is liable in respect of any loss or damage resulting from the exercise of that power or the performance of that function in good faith.

Section 176 (2) of the Municipal Finance Management Act states that without limiting liability in terms of the common law or other legislation, a municipality may recover from a political office-bearer or official of the municipality, and a municipal entity may recover from a director or official of the entity, any loss or damage suffered by it because of the deliberate

or negligent unlawful actions of that political office-bearer or official when performing a function of office.

3. OBJECTIVE OF THIS POLICY

- 3.1 All officials including management are held responsible for losses in their areas of responsibility.
- 3.2 Assist officials to create a climate that is conducive to internal control, risk management and prevention of losses.
- 3.3 Contribute towards creating respect for the resources of the Municipality for use in the best possible way.
- 3.4 Encourage officials to perform their duties in a responsible manner and to avoid unlawful conduct that may result in unnecessary losses in general, or disturbance in service delivery or loss of records.
- 3.5 Uniform action and procedures for recording of losses and insurance claims is done more effectively and to promote greater efficiency in the management of losses and risk management.

4. FRAMEWORK FOR LOSS CONTROL

4.1 Types of Losses

- 4.1.1 Theft or misuse of movable assets
- 4.1.2 Accidental damage of movable and immovable assets
- 4.1.3 Theft or misappropriation of inventory items
- 4.1.4 Natural disasters and weather elements like lightning strikes on power lines
- 4.1.5 Vandalism of Municipal assets and arson
- 4.1.6 Third party claims against the Municipality
- 4.1.7 Fruitless and wasteful expenditure
- 4.1.8 Fraud
- 4.1.9 Cashier shortages of cash banked when compared with cash register roll
- 4.1.10 Distribution losses for electricity and water

4.2 General Management of Losses

- 4.2.1 Losses to be reported within twenty-four (24) hours to the Asset Control Practitioner.
- 4.2.2 A criminal case has to be opened with the South African Police Service or in case of third party claims against the Municipality, an affidavit from the South African Police Services must be submitted to the Asset Control Practitioner.
- 4.2.3 An incident report and three quotations from recognised suppliers for the current market price of an asset or service must be submitted to the Asset Control Practitioner by the

concerned municipal official responsible for the loss, has to accompany the above mentioned information from the South African Police Service.

- 4.2.4 The incident report must have details of the time, place and how the incident of loss took place. The case number, name and contact numbers of the Police Officer who is in charge of the case must also be given on the report.
- 4.2.5 Incidents of loss must be recorded in a Loss Control Register kept by the Asset Control Practitioner.
- 4.2.6 Incidents of loss have to be reported to the insurance service provider within a week of the occurrence of the incident and officials must make sure that all the relevant information reach the Asset Control Practitioner within a week to ensure that the claims deadline is not missed.
- 4.2.7 The Asset Control Practitioner must lodge insurance claims with the appointed insurance service provider on behalf of the Municipality after gathering the relevant information of the incident.
- 4.2.8 The Loss Control Committee will review all incidents of losses that took place during a quarter and rule with regard to keeping lost assets on the asset register in case of tangible capital assets through a resolution and advise the Asset Control Practitioner and the Assistant Manager: Asset Management, who must inform and advise the Accounting Officer in writing and seek Council resolution in case of assets that have to be written-off the asset register if there is no possibility in recovering those assets.
- 4.2.9 The Loss Control Committee must determine cases where there is negligence on the part of a Municipal official if such a loss is not reimbursed by the insurance service provider.
- 4.2.10 Incidents that appear to be caused by negligence on the part of an official of the Municipality, and which the insurance service provider found cause not to reimburse the Municipality will be referred by the Loss Control Committee to the Accounting Officer for possible disciplinary action or recovery of the loss.
- 4.2.11 Cases of arson and vandalism of Municipal properties or infrastructure assets within the areas covered by the private physical security service provider must be referred to that particular security service provider for cost recovery and insurance claim purposes.
- 4.2.12 All details required in the Loss Control Register must be filled for the purpose of reporting an incident of loss.
- 4.2.13 It is every employee's duty to report misuse of Municipal assets, and therefore, such incidents must be reported to the Asset Control Practitioner and be considered by the Loss Control Committee.
- 4.2.14 The Loss Control Committee may recommend to the Accounting Officer for criminal charges to be brought against an employee involved in committing any Schedule 1 offence according to the Criminal Procedure Act Number 51 of 1977, if that offence may lead to a financial loss to the Municipality.
- 4.2.15 Employees' injuries on duty must be reported to the Occupational Health and Safety Officer under the Occupational Health and Safety Act and handled under applicable laws and regulations.

5. REPORTING OF LOSSES

5.1 Step 1: Registration of Damage or Loss

- 5.1.1 When an official becomes aware of a loss or damage, he/she must report to the immediate supervisor to the Asset Control Practitioner in writing within one (1) working day of the incident.
- 5.1.2 The Asset Control Practitioner must register all losses on the Loss Control Register after they have been reported.
- 5.1.3 Officials who are involved in accidents that affect third parties are responsible to inform the Asset Control Practitioner of the incident and inform the third party claimant about relevant officials to contact in registering a claim.
- 5.1.4 Unauthorised, irregular, fruitless and wasteful expenditure must be reported on annual basis during the compilation and submission of annual financial statements for audit purposes.
- 5.1.5 Cashier shortages must be reported to Asset Control Practitioner on quarterly basis.
- 5.1.6 The Chief Financial Officer must submit a report on distribution losses on water and electricity on quarterly basis to the Asset Control Practitioner.

5.2 Step 2: Gathering of Information

- 5.2.1 It is the duty of the official who suffered the loss to bring all the relevant information relating to the incident of loss to the Asset Control Practitioner within a week of the incident, including the documents mentioned under clause 4.2.
- 5.2.2 The Asset Control Practitioner must determine the appropriate steps to take in mitigating the loss, and may involve other members of the Loss Control Committee or seek legal advice on the matter and communicate with the insurance service provider.
- 5.2.3 The Asset Management unit must provide proof of the asset's record and value on the asset register in case of a tangible capital asset.
- 5.2.4 The Asset Control Practitioner must complete a claim form and send it to the insurance service provider according to the agreed insurance policy or agreement between the Municipality and the insurance service provider.
- 5.2.5 The Asset Control Practitioner must open a file and number each case of loss reported to him and keep track with the progress of the cases with the insurance service provider. All communication with regard to a file must be kept.
- 5.2.6 Replacement for assets critical for service delivery may be done immediately pending the decision of the insurance service provider on whether to reimburse the Municipality for the loss or not.

5.3 Step 3: Receipt of Proceeds from the Insurance Service Provider

- 5.3.1 On receipt of proceeds from the insurance service provider, the Asset Control Practitioner must create a unique vote number and ensure that it is used for its intended purpose.

5.4 Step 4: Reporting

- 5.4.1 The Asset Control Practitioner must report to the Loss Control Committee on quarterly basis through Loss Control Reports.
- 5.4.2 The Loss Control Reports must be reviewed by the Loss Control Committee and determine cases of negligence that must be remedied through internal disciplinary action or recovery of the cost of the loss from the responsible official as per the provisions of section 176 (2) of the MFMA.
- 5.4.3 The Loss Control Committee must resolve on matters that must be forwarded to the Accounting Officer and other governance structures after every meeting.
- 5.4.4 Any loss of assets that the Loss Control Committee deems fit to be removed from the asset register must be submitted to the Asset Management Unit as a resolution after which must be submitted to the Accounting Officer for recommendation and approval by Council.
- 5.4.5 Minutes of the Loss Control Committee must be reviewed and signed by the Convenor of the Committee before being submitted to the Municipal Manager.
- 5.4.6 The Loss Control Committee must recommend to or advise the Municipal Manager about loss recoveries through a resolution; and recommend or advise for consequence management to be instituted in case of negligence.
- 5.4.7 The Loss Control Committee must recommend to or advise the Municipal Manager through a resolution, investigation to be instituted in case of loss.

6. DUTIES AND RESPONSIBILITIES OF OFFICIALS INVOLVED IN LOSS CONTROL MANAGEMENT

6.1 The Asset Control Practitioner

The Asset Control Practitioner is an official appointed by the Accounting Officer in accordance with Section 79 of the Municipal Finance Management Act. The Asset Control Practitioner is an official tasked with managing part of the loss control process of the Municipality.

6.1.1 Duties of the Asset Control Practitioner

- Obtaining details, reports and statements from employees of the Municipality and third parties.
- Compiling and maintain the Loss Control Register.
- Submission of insurance claims to the insurance service provider.
- Communication with the insurance service provider regarding submitted claims.
- Reporting to the Loss Control Committee on quarterly basis via the Loss Control Report.
- Recording proceeds from the insurance service provider on the Financial Management System.
- Act as a Scribe for the Loss Control Committee.
- Report to the Accountant: Asset Management, all transactions that result from losses that must be processed in the financial records of the Municipality on quarterly basis.

6.2 Assistant Manager: Asset Management

6.2.1 Duties of the Assistant Manager: Asset Management

- Must review the Loss Control Register before submission to the Loss Control Committee and make sure that all accompanying documentation is also forwarded to the Committee.
- Present to the Loss Control Committee the Loss Control Register (may be assisted by the Asset Control Practitioner or Accountant: Asset Management)

6.2 Loss Control Committee

The Loss Control Committee must be made up of officials appointed in terms of section 79 of the Municipal Finance Management Act to effectively implement the provisions of the Loss Control Policy in preventing theft, unauthorised, irregular or fruitless or wasteful utilisation, of assets of the Municipality.

6.2.1 Responsibilities of the Loss Control Committee

- Must consider all reports submitted by the Asset Control Practitioner.
- Evaluate reports and determine possible negligence.
- Recommend to the Accounting Officer action that must be taken against officials implicated in negligent loss of assets.
- Recommend to the Accounting Officer the writing off of assets on the asset register.
- Consider and review the Loss Control Policy for changes before submission to Council or any committee of Council for approval.

6.3 The Chief Financial Officer

In addition to submitting certain reports to the Loss Control Committee, the Chief Financial Officer or any other official appointed by the Accounting Officer will act as the Convenor of the Loss Control Committee.

6.2.3 Assistant Manager: Security Management

The Assistant Manager: Security Management must follow-up and give the Loss Control Committee updates on previous cases reported to the South African Police Service for investigation.

7. RECORD KEEPING

Keeping records of files and documents used in Loss Control Management and the Loss Control Committee is a responsibility of the Asset Control Practitioner. All records of losses as recorded on the Loss Control Register and communications with all parties involved in losses or claims must be kept in unique numbered files.

8. RISK INSURANCE

The Municipality must have a valid insurance policy with a recognised and registered insurance service provider all the time. The Accounting Officer has a responsibility to appoint an insurance service provider to cover risks involved.

9. OBJECTIONS AND COMPLAINTS

Persons aggrieved by the actions or resolutions of the Loss Control Committee may lodge within seven (7) days of the decision or action, a written objection or complaint against the decision or action to the Accounting Officer.

10. REVIEW

This policy shall be reviewed annually.

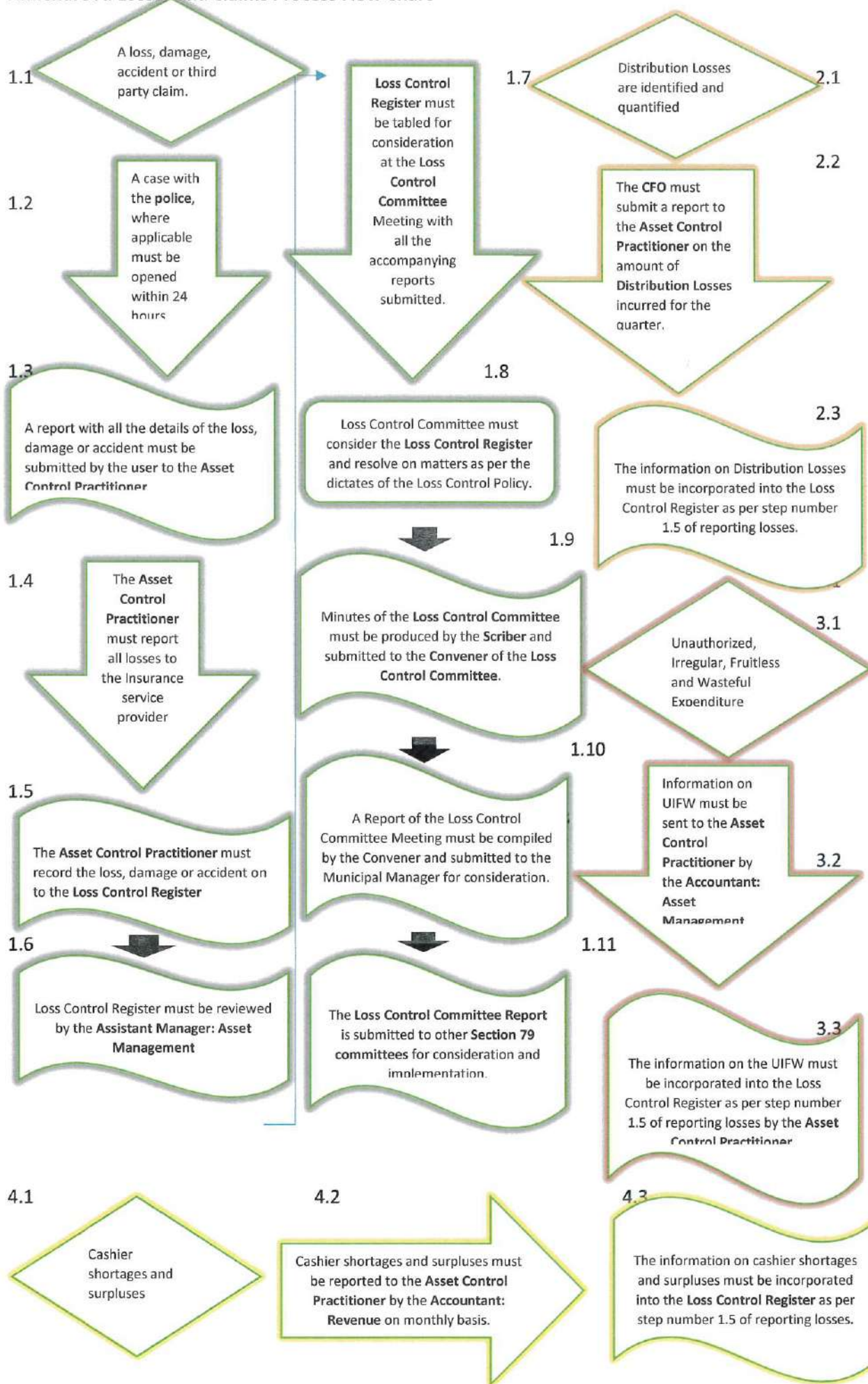
11. COMMENCEMENT

This policy takes effect from the date it is adopted by Council or the date the Council stipulates for its commencement.

12. DRAFT POLICY ADOPTION

This policy has been considered and approved by the Council of Victor Khanye Local Municipality on this _____th day of May 2025.

Annexure A: Losses and Claims Process Flow Chart





VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

DEBT COLLECTION AND CREDIT CONTROL MANAGEMENT POLICY

1 July 2025 – 30 June 2026

Policy Number:	Approved by Council:
Resolution No:	Review Date:

1. INTRODUCTION

This policy is applicable to Victor Khanye Local Municipality only. In terms of section 80 of the Local Government: Municipal Systems Act, 32 of 2000, the Municipality may enter into service delivery agreements with service providers to provide municipal services to customers. In such instances the internal credit control and debt collection policies of those entities may differ from this policy, but shall always be subject to the promulgated Credit Control and Debt Collection By-Laws in terms of Article 9. Section 96 of the Local Government: Municipal Systems act, 32 of 2000 further stipulate that "A municipality – (a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and (b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of the Act", Thus the existence of this policy which is reviewed annually.

2. PURPOSE

This policy has been compiled as required in terms of Section 97 of the Local Government: Municipal Systems Act 32 of 2000 (hereinafter referred to as the Act) and is designed to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the Municipality's geographic area with the objectives of sustainable service delivery, which contributes towards the fulfillment of the following constitutional mandate as required by Section 152 (1) & (2) of Act no 108 of 1996 (Constitution of the Republic of South Africa).

1. (a) To provide democratic and accountable government for local communities
- (b) To ensure the provision of services to communities in a sustainable manner
- (c) To promote social and economic development
- (d) To promote a safe and healthy environment

- (e) To encourage the involvement of communities and community organizations in the matters of local government.
2. A Municipality must strive, within its financial and administrative capacity to achieve the above-mentioned objectives.

3. DEFINITION

Account:-

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

Act:-

Means the local government: Municipal System act, act no.32 of 2000

Arrangement:-

Means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 1(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

Arrears:-

Any amount due, owing payable in respect of municipal services not paid by due date.

Credit Control:-

Means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

Consolidated account:-

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

Council:-

Means the Victor Khanye Local Municipality, a municipal council as referred to in chapter 7 of the Constitution of the Republic of South Africa, act no 108 of 1996.

Customer: -

Means any person to whom a service is rendered and levied or charged in terms of the tariff structure of the council.

Debtors: -

A person who owes the municipality money for services consumed and to whom an account was rendered.

Debt Collectors: -

Means an external person or entity appointed by the Municipality to collect monies due and payable to the Municipality, subject to the conditions contained herein.

Debtor's socio-economic status: -

It is the situation within which a debtor is perceived to be living in, which will assist in assessing how much income does the debtor generate thus how much can the debtor be able to pay for arrears.

Defaulter: -

Any customer in arrears.

Deemed owner: -

Means a person, who is not the registered owner of the property, in occupation of such property by virtue of the Black Administration Act.

Employer: -

Means an employer as defined in paragraph 1 of the seventh schedule of the Income tax act, act no 58 of 1962;

Illegal tempering: -

It is the unauthorized handling of municipal infrastructural assets, with the intention to distort information that can be accessed from such machinery or with the intention to consume services in a fraudulent manner.

Indigent: -

A person who is needy and furthermore who generates no income or generates income which is so minimal that he can't make a worthwhile contribution towards the payment of municipal services.

Level 1 cut-off: -

The electricity supply to the property will be discontinued at the meter box and a seal will be installed. In respect of water supply a washer will be installed in the supply pipe to reduce the supply to a minimum basic supply of not more than six kiloliter per month. A notice to this effect will be delivered to the property requesting the occupier to contact the debt collection unit in order to make arrangements for the payment of the outstanding amount. Arrangements for longer than 12 months should be approved by the Municipal Manager.

Level 2 cut-off:-

The electricity supply to the property will be discontinued at the pole outside the property and a seal will be installed. In respect of water supply a washer or a pre-paid water meter will be installed to reduce the supply to a minimum basic supply of not more than six kiloliter per month and a locking device will be installed over the main tap to ensure limited supply. A notice to this effect will be delivered to the property requesting the occupier to pay the outstanding amount in full before the supply to the property will be restored.

Monthly average consumptions: -

Means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve months.

Occupier: -

Includes any person in actual occupation of premises without regard to the title under which they occupy, if any;

Owner: -

In relation to premises means the person, natural or legal, who from time to time is registered as such in a deeds registry as defined in the Deeds Registries act, act no 47 of 1937.

Person: -

Means any natural person, local government body or similar authority, a company or close corporation incorporated under any law, a body of persons whether incorporated or not, a statutory body, a public utility body, voluntary association or a trust.

Prescribed debt: -

Means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969

Service: -

Means any service rendered by the council, in respect of which an account may be rendered, excluding any service rendered by the council as an agent for another principal.

Standard rate of interest: -

Means the interest rate as determined by the council from time to time.

Tariff: -

Means the scale of rates, taxes, duties, levies or other fees which may be imposed by the municipality in respect of immovable property or for municipal services provide.

Tariff Policy: -

Means a Tariff Policy adopted by the council in terms of section 74 of the Local Government: Municipal system act 32 2000

4. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- Ensure that all monies due and payable to the municipality are collected;
- Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- Provides for indigents in a way that is consistent with rates and tariff policies and any national policy on indigents subject to the indigent Policy of the municipality.
- Set realistic targets consistent with generally recognized accounting practices and collection ratios and the estimates of income set in the budget less an acceptable provision for bad debts;
- Provide for the interest charge on arrears, where appropriate; and provide for extension of time for payment of an account;
- Provide for disconnection of services or the restriction of the provision of services when payment is in arrears; and also, provide for matters relating to unauthorized consumption of services, theft and damage;

Victor Khanye Local Municipality would like to give priority to the basic needs of the municipality, promote the development of the local community, ensure that all members of the municipality have access to at least the minimum level of basic municipal service, which are equitable, accessible, and are provided in an economically & environmentally sustainable manner.

This policy aims to stimulate and maintain cost recovery measures in the provision of services so that the level, standard and quality of municipal services can be reviewed and improved over a period of time.

5. PRINCIPLES

- 5.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected officials (councilors) are responsible for policy-making, while it is the responsibility of the Municipal Manager to execute these policies.
- 5.2 All consumers must complete an official application form formally requesting the municipality to connect them to service supply lines
- 5.3 Billing is to be accurate, timeous and understandable
- 5.4 Enforcement of payment must be prompt, consistent and effective
- 5.5 By completing the prescribed application form for the provision of municipal services the customer of services enters into an agreement with the municipality. Such agreement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit act(NCA) but shall be incidental credit as envisaged in terms of section 4(6)(b) of the NCA, to which the NCA will only apply to the extent as stipulated in section 5 of the NCA.
- 5.6 Application forms will be used to categorise consumers, to determine the amount of the deposit payable by the consumer and whether the customer qualifies for indigent support, pre-payment of credit meters
- 5.7 Depending on Credit Rating Council may provide reduced levels of services to manage the debt growth
- 5.8 Fraud/criminality will lead to loss of rights and heavy penalties and/or public prosecution
- 5.9 Incentives and disincentive may be used in collection procedures
- 5.10 The policy must be implemented with equity, fairness and consistency
- 5.11 The level of services provided to consumers who regularly defaults will be reduced
- 5.12 Debts and arrangement to repay debts shall be treated holistically

6. CREDIT CONTROL MEASURES

6.1 Important and Final Notice

- All customers must pay their current accounts in full as per date stated on the monthly statement.
- Failure to pay the amount payable (current charge) on or before the due date indicated on the statement, the Municipality will disconnect electricity or reduce the supply of water without any further notice after seven (7) days from the due date.
- Prepaid electricity: in the event that the current account or amount is not paid on or before the due date, the Municipality

will block the purchase of electricity on the vending system after seven (7) days from the due date, until the amount is settled in full.

- No arrangements will be accepted for the current amount charged.

6.2 Registration

Residential

- Consumers who require a service must enter into a written service agreement with the municipality.
- Connection application can only be made by a legal title holder of the property or a nominated proxy.
- Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract or the tenant in default in terms of this clause
- On the death of a partner married in terms of the applicable marriage legislation of South Africa, the surviving spouse may have the account transferred together with the outstanding debt and deposit into their name by completing a service agreement.
- Upon the death of a parent, the above will not apply to the siblings. Siblings will be required to complete a service agreement with written consent from the executor or letter of authority issued by the Magistrate Court of the estate and the necessary deposit will need to be paid.

Business – The municipality must not open any new accounts for tenants on business except when the business is on property where the municipality is the owner. All municipal services must be charged to the business owners only.

Government – the Municipality will continue to register tenants for services. The tenants will be held liable for the services charged on the the Government property, however the respective Government Departments shall then be held liable for the property rates debts on the property.

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

The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.

The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the Municipality, into one consolidated account.

Failure by the Council to render an account does not relieve a customer of the obligation to pay any amount that is due and payable.

If there is an outstanding debt on the property, this debt must be settled in full, or suitable payment arrangements must be made by the owner of the property, before any customer / owner is registered for services.

Customers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.

Where the purpose for or extent to which any municipal service used is changed the onus and obligation is on the customer / owner to advise the Municipality of such change.

6.3 Deposits payable

All deposits will be adjusted annually with a rate to be determined by council and will be charged before a new connection to electricity or water supply is made.

No interest shall be payable by the Municipality or its authorized agent on any deposit held.

In cases where a service provider is already connected to council's supply without a deposit paid, such services will be terminated until the connection is registered and a deposit is paid into the name of a new service debtor.

Deposits should be paid in cash, however in the instances of a bulk services consumer, a bank guarantee in favor of council can be presented and safe guarded by council until the services are terminated.

The amount of a deposit in respect of new service agreements will be determined based on the type of service, Date of service agreement application will determine applicable deposit amount payable.

On the termination of the agreement the amount of the deposit less any outstanding amount due to the municipality will be refunded to the consumer. A deposit shall be forfeited to the Municipality if the customer has not claimed it within 12 (twelve) months of termination of agreement.

6.3.1 Consumer categories

<u>The following deposits will be applicable:</u>	2024/25
Low voltage: single phase Three phase 0 – 199 KVA	
High voltage: 200 – 499 KVA > 500 KVA	
House Hold Consumer Conventional Meter - Delmas House Hold Consumer Pre-paid Meter - Delmas House Hold Consumer Botleng/Eloff/Sundra	

6.4 ACCOUNTS AND BILLING

Customers will receive one consolidated bill for all services to a property, which is situated within the boundaries of the Municipality.

Accounts are produced in accordance with the meter reading cycles.

An account will be rendered each month in cycles of approximately 30 days.

The Municipality will undertake to have the accounts delivered to all consumers. However non-receipt of an account does not prevent interest charges, penalties and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the account, before the due date.

Accounts must be paid on or before the due date as indicated on the account.

Interest on arrears will accrue after due date if the account remains unpaid irrespective of the reason for non-payment.

Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via third party agents, the money must be received in the municipal bank account on or before the due date and not later than the close of Business.

Consumers will be issued with a 7 (seven) working day notice of their unpaid accounts prior to the commencement of the debt collection process.

Non-payment of the account will result in debt collection action taken against defaulters.

6.5 RIGHT TO ACCESS

The owner and /or occupier of property is to allow an authorized representative of the municipality 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.

The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

If a person fails to comply with the request for reasonable access the municipality or its authorized representative may:

- (a) By written notice require such person to restore access at his/her own expense within a specified period.
- (b) Should access be prohibited, the municipality will serve a notice to the consumer to allow such access, failure to comply with the notice will result in municipality taking all action necessary to gain entry or access.

6.6 INTEREST ON ARREARS

Interest will be levied on all arrears at a rate of % per annum

The interest rate will be determined at Prime plus 2% at the start of the municipality's financial year and will remain fixed for the financial year

Council reserves the sole right to amend the above rate as it deems necessary to improve revenue and service delivery

Interest is levied on all accounts in arrears in excess of 30 days. Interest levied but not paid is included in the arrear amount of such a debtor.

Specific categories of customers, services and debtor groups as determined by the council from time to time, may be excluded from interest on arrear charges.

No Interest will be charged on inactive accounts

6.7 Responsibility for amounts due

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

Accordingly, 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.

The municipality reserves the right to cancel a contract with the occupier in default and register the owner only for services on the property.

No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.

Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.

Except for property rates, owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.

Directors of Companies, members of Close Corporation 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.

- 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 monies as are

owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner.

- The Municipality may recover the amount in whole or in part despite any contractual obligation to the contrary on the tenant / occupier / agent.
- 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.
- 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.

Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute.

Pre-paid meters shall not be installed until all outstanding debt has been paid in full, subject to clause 6.3 hereto.

The owner of the property may be held liable for tampering with the electricity metering equipment or the water metering equipment on the property as well as charges that arise therefrom.

Rates Clearance

Issuing of rates clearance figures and rates clearance certificates on transfer of property in the municipalities jurisdiction must be done in accordance with section 118 of the Local Government: Municipal Systems Act, Act No. 32 of 2000, as amended, as well as any other policy and legislative requirement.

The municipality will issue a certificate required for the transfer of immovable property in terms of Section 118 of the Systems Act, which is lodged with the municipality in the prescribed manner.

This is subject to all amounts that became due in connection with that 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.

Debt older than two years on the property irrespective of whether the owner of the property accumulated the debt will also have to be paid.

If the owner refuses to pay the debt which is older than two years then the municipality will apply to a competent Court for an order in the following terms: -

- a. In the case where there is already a judgment for the payment of the amount, an order that the judgment debt be paid out of the proceeds of the sale, before the mortgage debt is settled.
- b. In the case where there is no judgment debt, for an order staying transfer of the property pending the finalisation of a civil action to be instituted against the person who is in law liable for the payment of the outstanding debt.
- c. The above action must be taken before the property is transferred as the statutory lien created by Section 118(3) of the Act only endures until the property has been transferred.

6.8 Allocation of payments

Payments from debtors will be allocated in priority sequence as follows to the various municipal services:

- Property tax
- Refuse services
- Sewerage services
- Other miscellaneous charges
- Water supply
- Electricity supply

6.9 CUSTOMER ASSISTANCE PROGRAMMES

These are programs that the Municipality will design to assist customers meet their obligations, such as:

- Rates rebates;
- Arrangements for settlement;
- Indigent assistance scheme.
- Incentive Debt Repayment Scheme

6.10 Debt collection process

The debt collection process will be maintained by the Debt Collection Unit and will be under the supervision of the Assistant Manager (Revenue services).

In respect of the collection of debts owed to the municipality the following process will be followed:

1. All water and electricity meters will be read on a monthly basis and captured on the financial system before the monthly billing cycle. Meters

are read and captured manually however the use of electronically systems need to be encourage with the aim to reduce human error to the minimum. Exception reports to be generated to detect incorrect readings and corrections to be made.

2. Billing cycle to be performed after all meter readings are captured. Data submitted to service provider for the posting of municipal accounts.
3. The following facilities to be maintained for the payment of municipal accounts:
 - a. Cashier points at the municipality EFT payments direct into the bank primary bank account,
 - b. Direct deposits into the bank account at any Standard Bank branch.

If the account is not paid by the due date it will be handed over to the debt collection unit to recover the arrear debt.

6.11 Arrear debt collection

The municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any consumer, owner or property

If the customer fails to pay any account within a period of seven (7) working days after the expiry of the due date then:-

The steps mentioned above in the first paragraph (6.1) of credit control measures will prevail.

After the notice is issued and the time frame has lapsed the following process commence:

- (i) If the debtor pays the account in full no further action is necessary.
- (ii) The interest on outstanding amounts will be applicable at the standard interest rate as determined by council, being prime rate plus 2% at the start of the financial year and will remain fixed for the financial year. The outstanding accounts of households registered in terms of council's Indigent policy will not be charged with interest.
- (iii) With regards to properties where electricity is not supplied by council and in the absence of the required reaction as mentioned above in respect of the final notice, the water supply to the property is restricted by the

installation of a trickier washer which will only allow access to the basic water supply being six kiloliters per month.

- (iv) Once the debtor enters into a payment arrangement with council or pay his account in full the service to the property will be restored.
- (v) In the circumstances of no further reaction from the debtor after the services were restricted to the property, the debt collection unit will, via the field workers, revisit the property after 14 days to ensure that the service is still discontinued. If it is found that the property is reconnected, a tamperproof disconnection, (level 2 cut-off) will be performed to ensure a more tamperproof disconnection. The cost hereof will be charged against the account of the debtor.
- (vi) In the case of a level 2 cut-off the services to the property will only be restored once the arrear account is paid in full.
- (vii) If consecutive follow-up actions due to no reaction by the debtor reveal that a disconnection has been tampered with, another level 2 disconnection, will take place in the case of electricity, or the installation of a trickier in the case of water, are done. The account of the debtor is once again charged with the cost of these actions and the legal steps are taken to collect arrears where the cut-off actions yielded not satisfactory results.
- (viii) Accounts which are less than R3,000, will not be handed over for legal action due to the legal costs exceeding the capital amount. All legal and related costs will be charged to the account of the property debtor. Legal actions will not be instituted against households registered in terms of council's Indigent policy.
- (ix) In circumstances when a property owner intends to sell his/her property and applies for a clearance certificate in terms of Section 118 of the Systems Act, No 32 of 2000, such property owner will be liable for the payment of all outstanding amounts on the same property for the preceding two years, regardless of the fact if it is his/her own debts or those of a tenant or any other occupier of the property. A clearance certificate, certifying that all outstanding amounts for the immediate past two years in respect of a property are paid in full, will only be issued by the municipality once proof of such payment can be presented by the registered owner of the property.

One of the following measures will be used by a Municipality to enforce section 118(3) of the Local Government: Municipal Systems Act, 32 of 2000:

- i. Attempting to obtain full payment of all municipal debt from the seller.

- ii. Requesting the seller to authorise the conveyancer to provide an undertaking that payment will be made of any unpaid debt, out of the proceeds of the sale of the property, if sufficient, upon registration of transfer in preference to any bond holder.
- iii. Informing the purchaser that should there be any municipal debt outstanding against the property, such debt is a charge against the property, and that such purchaser shall be liable for such debt which is still owing after registration and that the continued supply of municipal services to the property may be affected while the debt remains outstanding.
- iv. Interdicting the transfer of the property until the municipal debt is paid in full.
- v. Interdicting the distribution of the proceeds of the sale.

7. ARRANGEMENTS FOR SETTLEMENT

Arrangements are permissible for debtors who experience difficulties in paying their accounts.

No interest will be levied on accounts with arrangements if those arrangements are kept up to date.

DURATION OF ARRANGEMENT

The maximum period of arrangement will not exceed periods as stipulated in this policy.

DEFAULT REPAYMENT ARRANGEMENT

Debtors who default on their third payment arrangement are required to pay full settlement of their outstanding arrears

- That the consumer pays the current account plus the repayment instalments monthly.
- That the debtor should not default on their payment. Should the debtor fail to honor the arrangements, the municipality may terminate the services without any further notification.

Residential Consumers

Outstanding Balance (arrears 30 days and above)	Minimum Deposit	Maximum Duration of repayment
R1 – R1 000	Full Settlement	
R1001 -2000	50%	1 month
R2001 – 5000	30%	3 months
R5001 – 10 000	25%	5 months
R10 001 -20 000	15%	8 months
R20 001 and more	10%	Maximum of 24 months

Any variation for the above terms must be approved in writing by the CFO or his/her nominee.

No arrangements will be made on the current amount charged to the consumer,

Before arrangement can be done the following should be presented:

1. Copy of the ID
2. Arrangement by any other person except the owner of the property or account holder; a Sworn commissioned affidavit acknowledging debt owed to municipality and providing mandate to the proxy to sign acknowledgement on their behalf.
3. If applicant is a tenant on a property, sworn commissioned consent/affidavit by owner of the property (Including copy of Owner' ID) issued in favour of the tenant is required whereby owner acknowledges debt and granting approval for the tenant to enter into such agreement on their account with council.
4. The approved minimum deposit payable may not be lesser than the clients' current month bill plus first instalment of the repayment agreement.

5. The CFO or his/her nominee, may at his/her discretion; grant approval for the repayment term of the arrangement to be extended beyond the terms as stipulated above

Businesses

Outstanding Balance (arrears 30days and above)	Deposit	Maximum Duration of repayment
R1 – 5000	Full Settlement	None
R5001 – 10 000	50%	1 month
R10 001 – R30 000	35%	3 months
R30 000 – R50 000	25%	6 months
R50 000 and more	15%	Maximum of 12 months

Any variation for the above terms must be approved in writing by the CFO or his/her nominee.

Before arrangement can be done the following should be presented:

1. Copy ID of company representative
2. Certified copies of company registration
3. Proxy letter or resolution on company letterhead authorizing company representative to acknowledge debt on behalf of company/entity.
4. If applicant is a tenant on a property, written consent by owner to Debt Repayment Arrangement by tenant is required whereby owner acknowledges debt and approves entering into debt repayment arrangement
5. The CFO or his/her nominee, may at his/her discretion; grant approval for the repayment term of the arrangement to be extended beyond the terms as stipulated above.

Deceased Estates

In accordance with the provisions of Administration of Estates Act the executor of a Deceased Estate shall be liable for payment of all debts on the property.

It remains the sole responsibility of the occupiers to inform the Municipality that the property forms part of a deceased estate and the Municipality may refuse services until an executor has been appointed

Occupiers of property in a deceased estate where neither an executor nor administrator has been appointed, may be required to sign a service level agreement.

7. CUSTOMER CARE AND MANAGEMENT

Councilors are responsible for policy making and officials are responsible for executing policies which will be agreed upon within council, so that they can be implemented and supported by councilors and officials equally. There will be a report on areas of weakness identified and achievement gained.

- Consumers will be treated according to the Batho Pele Principles – Consultation, access, value for money, openness and transparency, accountability, redress, courteous, be supplied with all the necessary information. Various forms of communication with the community within the municipal area will be created and utilized.
- There will be means of communicating with the community about the level of services that they will be receiving, the cost involved in the provision of the service, the reason for the payment of the service fees and the manner in which monies raised from service are used.
- Consumers/users will be provided with different mechanisms to measure the performance, and to provide feedback to the municipality about the type of service received including its quality and value for money. (The mechanisms will be stated in the municipality's communication strategy).

The consumers will also be informed about the system, which will be used for measuring and billing, their consumption of various services in an accurate and verifiable manner.

Communication Strategy

The community will at all times be made aware of the Credit Control and Debt Collection measures that council is implementing through various means which, are possible and accessible to the existing and potential debtors of the municipality

- (a) Considering the fact that the Municipality is legally compelled to implement it's credit control and debt collection policy, ward committees may be requested to submit positive executable proposals to support the matter, and make it more acceptable to the community.
- (b) That the Municipal Manager could be requested to draw-up a notice regarding the Policy, and or that the policy be published in Public Places and be distributed to all households in the Municipality's area of jurisdiction

8. DISPUTES

- In this policy "dispute" refers to the instance when a debtor questions the correctness of any account rendered by the Municipality with the Municipal Manager as per the process in sub-item (2) below.
- In order for a dispute to be registered with the municipality, the following procedures must be followed:
 - By the debtor
 - (a) The dispute must be submitted in writing (in a form that will be provided by the municipality or retrieved from the municipalities website)
 - (b) No dispute will be registered verbally whether in person or over the telephone.
 - (c) The debtor must furnish full personal particulars including ALL account numbers held with the Municipality, direct contact telephone number, fax-

number, postal and e-mail addresses and any other relevant particulars required by the municipality.

(d) The full nature of the dispute must be described in the correspondence referred to above.

(e) The onus will be on the debtor to ensure that he receives a written acknowledgement of the dispute.

(f) The debtor will be liable for the amount due except for the dispute amount on or before due date for the account rendered.

• By the Municipality:

(a) On receipt of the dispute the following actions are to be taken:

- A written acknowledgement of the receipt of the dispute must be provided to the debtor.

- The amount payable by the debtor for the specific month of the dispute and inform the debtor that all accounts thereafter must be paid in full.

- Specify the time to resolve the dispute- disputes must be solved within 3 (three) months

- The dispute must be registered in a dispute register

- Inform the Debtors Department and the Debt Collection Department of the dispute, stop interest charge on the account until the dispute is resolved

- Ensure that all relevant information received is rectified accordingly on the finance system

- Conduct checks or follow-ups on all disputes as unresolved

7.3 The following provisions apply to the consideration of disputes:

(a) All disputes must be concluded by the Municipal Manager or delegated official

(b) The Chief Financial Officer Manager's or the delegated official's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in this Policy after the debtor is provided with the outcome of the appeal.

(c) The same debt will not again be defined as a dispute in terms of this paragraph and will not be reconsidered as the subject of a dispute.

(d) Should the debtor not be satisfied with the outcome of the dispute, a debtor may lodge an appeal in terms of section 62 of the Systems Act.

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

Account collection agreements

The municipality may enter into account collection agreements for the payment of services with various employers or agents who will act on behalf of council to recover outstanding amounts.

9. CREATION OF A DATA BASE

- (1) Credit control and debt collection starts when the customer applies for municipal Services and every customer must complete an application form.
- (2) The application form will be used to get credit information on customers. It will also assist with the identification of those who qualify for indigence support and those who should only have access to restricted consumption, such as prepaid meters.
- (3) The application form will be a binding contract between the council and the customer and will inform the customer of the conditions on which the service is rendered.
- (4) A copy of the application form, the conditions on which the service is rendered, the council's credit control and debt collection policy and the credit control and debt collection by-law will be handed to every customer who might request it from time to time.

10. CREDIT CONTROL & DEBT COLLECTION PROCEDURES AND MECHANISMS

- (1) Reasonable access to pay points and various forms of payment will be provided.
- (2) Enforcement of payment will be prompt, consistent and cost-effective.
- (3) Criminal conduct will result in prosecution in court.
- (4) Non-payment by debtors of their accounts has a direct negative impact on the ability of service delivery to other consumers.
- (5) Current account levied not paid by the indicated due date are in arrears and all debtors with arrears are subject to credit control measures.
- (6) Credit control measures are applied with pro-active reminder or warning. Account statements are regarded as reminders of the arrears status of the account as well as stating the intention to take credit control measures.
- (7) No metered services can continue to be delivered to any unknown consumer, who is not registered with the municipality as a consumer.

- (8) Client who make no further use of any service but still owe an amount, are inactive debtors who, after the submission of a second inactive account statement to their latest known postal addresses are handed for legal action or alternative Credit Control and Debt Collection procedures.

11. IRRECOVERABLE DEBTS

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

There are some circumstances that allow for the valid termination of debt collection procedures (Council approval required)

- The insolvency or demise of the debtor, whose estate has insufficient funds
- A balance being too small to recover, for economic reasons considering the cost of recovery (R3 000.00)
- Prescription
- When the debtor relocates and two tracing agents are unable to trace the current whereabouts of the debtor
- All reasonable notifications and cost effective legal avenues to recover the outstanding amount have been exhausted.
- The amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate
- It is impossible to prove the debt outstanding
- The outstanding amount is due to an administrative error by council or by Council resolution, on good cause shown
-

With the exclusion of approved indigent applicants, outstanding amounts of debtors be submitted from time to time to Council for considering the writing off thereof should circumstance requires it. With each submission to council, the circumstances will also be reported to council for consideration.

Should money be received from debtor after the debtor's account was written off then the amount should be paid into the Provision for Bad Debts.

12. INDIGENT CONSUMERS

Please refer to the Victor Khanye Local Municipality's indigent Policy.

Households are subsidized with 6kl of water and 50kWh electricity per month. Should this be exceeded the debtor will be held liable for the account.

The subsidy for the indigents will be funded from the equitable share / intergovernmental grant.

Electricity as well as the water consumption in excess of 6kl will be levied separately on the municipal account if applicable.

13. DISCOUNT SERVICES

From time-to-time the municipality will issue announcements on the categories of people deserving discount.

14. ILLEGAL TAMPERING AND DISCONNECTION

Should a meter of a consumer / user be found to be tampered with, a penalty will apply according to the amount approved by Council in the tariff structure. A new meter will only be installed after the payment has been made in full or acceptable arrangements have been made. The penalty must be paid in full and no arrangements may be made for the payment of the penalties.

If a consumer tampers with the supply of electricity/water, the supply will be terminated and the consumer will receive a notice about the illegal connection, and that his/her action constitutes a criminal offence.

If a municipal employee has been found to have assisted in the tampering of electricity and/or water meter, such employee will be subjected to disciplinary action.

An average consumption will be levied on an account for the period the consumer ceased purchasing electricity before any reconnection can be authorized. The calculated average as per the municipal tariff policy will be debited to the consumer's account.

15. INCOME TARGETS

Income as set in the budget less on acceptable provision for bad debt.

16. Staff and Councilors in arrears

- I. Item 10 of Schedule 2 to the Act states that – "A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than three (3) months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period."

- II. In the case where an official is in arrears for a period of sixty (60) days a written notice will be issued to that official and given a period of fourteen (14) working days to pay the outstanding amount or make arrangements.
- III. Failure to pay the outstanding amount or to make acceptable arrangements for repayment will result in the deduction of the outstanding amount, the terms will be determined by the Accounting Officer / CFO.
- IV. In accordance with Schedule 1, item 12A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for municipal service fees, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the Municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this Policy, the Municipality shall deduct any outstanding amount from such Councillor's remuneration after this 3 (three) month period.



VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

CASH MANAGEMENT AND INVESTMENT POLICY

Policy Number:	Approved by Council:
Resolution No:	Review Date:2025/03/13

1. TERMS OF REFERENCE

Legal Framework:-

- Constitution of the Republic of SA, No 108 of 1996,
- Municipal Finance Management Act, No 56 of 2003,
- Municipal Systems Act, No 32 of 2000
- Deposit taking Institutions: Bank Act 94 of 1990,
- Guidelines from national treasury,
- Victor Khanye Local Municipality Delegation of Powers,

2. PURPOSE

The Cash management, Investment and Financial procedures Policy should provide mechanisms aimed at gaining the highest possible return without undue risk during the period when funds are not needed. Furthermore it should provide direction with regards to the overall cash management within the municipality as well as the financial procedures and processes. The Municipal Council has the following responsibilities:-

- To invest public funds with great care.
- To establish a mechanism of dealing with foreign and local investment within the jurisdiction of the municipality and stimulating economic growth, through job creation and other means.
- To create municipal assets which are positive contributors to the Local Economic Development Strategy.
- To establish and maintain a loan redemption fund for redemption of external loans.
- To manage cash flow.
- To operate and manage their financial processes in a fair, open and transparent way that is consistent and comply to relevant legislations, policy statements and General Recognized Accounting Standards.

3. SCOPE OF APPLICATION

This policy will apply within the Victor Khanye Local Municipality administration.

4. PREAMBLE

As trustee of public funds, the council has an obligation to see to it, that cash resources are managed as effectively and as efficiently as possible, and within generally recognized accounting principles.

5. PROCEDURE

5.1 Limit Exposure to a Single Institution

Larger sums of money should be invested with more than one institution in order to limit the risk exposure for the council. The limit exposure, excluding the primary bank account, per institution is set at R 4 million on any specific time.

5.2. Risk and Return

It should be accepted as a general principle that the larger the return, the greater the risk will be.

5.3. Borrowing Money for Re-Investments

The council will not borrow money only for investment purpose. All funds borrowed must be required for capital purposes and projects approved through the capital budget of the municipality.

5.4. Registered Financial Institutions

The Chief Financial Official entrusted with the responsibility to handle municipal finances must ensure that Institutions where funds are to be invested or where Council is operating its primary bank account (section 8 of the Municipal Finance Management Act) are registered in terms of the deposit taking institutions Bank

Act 94 of 1990 and that they are approved financial institutions as approved by National Treasury from time to time. Council will refrain from investing in institutions which do not have a sound track record in the market.

5.5. Growth Related Investments

When making investments, it should be ensured that at least the Capital amount invested is guaranteed. It is accepted that interest rates may vary from time to time, however a lower interest rate must be accepted for the benefit of low risk. Council will refrain from high income investments at a high risk.

6. GENERAL PRACTICE

6.1. General

After determining if cash is available for investments and fixing the maximum term of investments, the Chief Financial Officer has to consider the way in which investments are to be made, its rates can vary according to many market perceptions with regard to the term of investment, quotations should be requested in writing for periods within the limitations of the maximum term, these should be recorded in a schedule.

6.2. Payment of Commission

It is required by the Auditor General that Financial Institutions where investments are made must issue a certificate with regard to each investment. Said certificate must state that the financial institution has not, nor will pay any commission and has not / nor will grant any other benefit for obtaining such investment to an agent or go between, or to any person nominated by such an agent or go between. No Councilor or official of the municipality may receive any

commission or any other benefit from an institution where Council is investing funds or operating its bank account.

6.3. Reports

- Council has to be given a quarterly and year-end report on all investments.

6.4. Cash In Bank

- Funds in the current account must be sufficient to cover at least one month's Operational and Capital Expenditure.
- All cash receipts must be deposited into Council's primary bank account by no later than one day after it was received. Monies received on a Friday must be banked by no later than the following Monday. Moneys received one day prior to a public holiday, must be deposited into the primary bank account by no later than the next working day.
- When funds are held in a current account, it is a good business practice to operate a call account. The overriding principle is that funds in the current account are to be kept at an absolute minimum, except if interest rate on current account is more or less the same than a call deposit account.

6.5 Withdrawals from bank account

Withdrawals from Council's primary bank account may only be done through an electronic funds transfer (EFT) directly into the bank account of the beneficiary. Confirmation of the bank details of a creditor/supplier/beneficiary must be in writing and attached to every payment processed. Withdrawals from the primary bank account must be approved by at least two senior officials in the Budget & Treasury Offices. Withdrawals from the primary bank account must be approved either by two "A" classified signatures, or at least one "A" and one "B" classified signature. The classification of signatures are as follows:

Chief Financial Officer	-	"A"
Deputy Chief Financial Officer	-	"A"
Assistant Managers Expenditure	-	"B"

Hence all EFT must be approved by either the Chief Financial Officer or the Deputy Chief Financial Officer.

The procurement card must be limited to the following:

1. The refund of deposits held for the rental of halls and other facilities of Council.
2. The refund of consumer deposits.
3. The replenishment of the petty cash and floats of cashiers.
4. The payment of temporary workers are made through EFT payments
5. The payment of creditors under circumstances where EFT is not possible due to:
 - The incorrect bank details supplied by the beneficiary.
 - Connection failures due to network problems to avoid late payment or interest charges.
5. The account balances must form part of the cashbook balance and must be reconciled with the primary bank account.
6. Passwords are maintained on both the financial system and the electronic bank system operated by council. All passwords must be changed regularly being defined as at least monthly.

6.6 Transfers from secondary bank accounts

The money for MIG and DOE (Department of Energy) is usually transferred from primary to secondary so that it might not be used for other expenses but capital projects only.

6.7 Bank accounts

Bank Account Administration: (MFMA – Section 7, 8, 9 and 10)

6.7.1 Primary Bank Account

The following bank account will be utilized as the primary bank account of Council:

Account type	: Current account
Account holder name	: Victor Khanye Local Municipality
Account number	: 420526994
Bank name	: Standard Bank
Branch name	: Delmas
Branch code	: 052644

6.7.2 Secondary Bank Accounts

Council is operating the following secondary bank accounts:

Account type	: Temporary deposit account.
Account holder name	: Victor Khanye Local Municipality
Account number	: 85000026
Bank name	: ABSA
Branch name	: Delmas
Branch code	: 334244

All accounts are operated under the name of the Victor Khanye Local Municipality.

6.8 Cash and bank reconciliations

Only official cashiers will receive money on behalf of Council and will issue an official receipt from Council as and when said money is received. All funds received, will be reconciled on a daily basis and paid into the primary bank account as per the determination of paragraph 6.4 of this policy.

Bank reconciliations between the cashbook and bank accounts will be done on a continuous basis and a report will be submitted on a monthly basis. The Chief Financial Officer will report on a monthly basis to council on the bank reconciliation as well as the bank and cashbook balances.

Said bank reconciliation indicating the cashbook opening balance, the monetary value of all funds received during the month, the monetary value of all payments made during the month as well as the closing cashbook balance at the end of the month, will be reported to Council.

6.9 Credit Worthiness

The municipality will through its delegation of powers delegate the authority to the Chief Financial Officer to invest the maximum amount as stipulated by council. The Chief Financial Officer has to ensure that the credit worthiness and previous performance of the institution are to his/her satisfaction, before investing money with such institutions.

When the CFO makes investment has to ensure that the cash flow of the municipality is in order.

The Chief Financial Officer can invest R4 million and for amounts exceeding R4 million he has to get approval from the Accounting Officer before making the investment.

Only written quotation will be acceptable to council all required details from the institution's representative including the person responsible (Municipal Officer) for making quotations from institutions should record the relevant terms and rates and other facts such as whether the interest is accrued on a monthly basis on a maturation date.

Once the required number of quotations have been obtained, with which funds are to be invested, the best offer is normally accepted, with thorough consideration of the investments principles.

No attempts should be made to make institutions compete with each other as far as their rates and terms are concerned.

The above-mentioned procedure should be followed, regardless of whether the money is to be invested in a fixed deposit or on a call basis.

It is essential to make sure that the investment document received is a generic document, issued by an approved institution, and the investment capital should be paid over only to the institution with, which it is to be invested and not to an agent.

6.10 Management of short-term loan/bank overdraft

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

The short-term loan must be repaid by the end of the financial year.

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

A Council approved overnight overdraft facility for a period of no longer than a fortnight and to a value determined by the Council only be exercised by the Municipal Manager.

6.10 Valuation of Investments

Investments must be fair valued at market value on 30 June and reported accordingly in the Annual Financial Statements.

6.11 Unauthorized, fruitless/wasteful and irregular expenditure

The Victor Khanye Local municipality uses Section 32 of the Municipal Finance Management Act, no 56 of 2003, as the reference point with regards to unauthorized, fruitless and irregular expenditure. Within the financial framework of the municipality these types of expenditure are defined as follows:

Unauthorized: Expenditure not budgeted for through the approved annual budget or any other adjustments to the approved budget of the municipality as well as expenditure not authorized through the approved delegation of powers of the Victor Khanye Local Municipality.

Fruitless /

Wasteful: Expenditure incurred that could have been saved if the necessary precaution measures were taken or expenditure incurred by the municipality without any benefit to the municipality in terms of its mandate given by the Constitution of the Republic of South Africa, Act 108 of 1996 or any other subsequent acts of parliament.

Irregular: Expenditure incurred which is non-compliant to any policies of the municipality, specifically to the Supply Chain Management Policy, or any other pieces of by-laws of the municipality or relevant acts of parliament.

If any official or councilor of the municipality takes note of an expenditure that might be unauthorized, fruitless or irregular he/she must report it immediately, in

writing, to the municipal manager. After investigating the matter, the municipal manager must report to council with a recommendation to either:

- Condone the expenditure and thereby approve it.
- To recover the expenditure from the councillor or official authorizing/certifying the expenditure.

Through investigating the matter the municipal manager must consider the circumstances under which the expenditure was incurred, possible benefit to the council as well as the possible implications to council should the expenditure not have been incurred.

Deviations from the SCM policy

The municipal manager may approve deviations from the supply chain management policy under the following conditions:

- Due to the recent history of the Victor Khanye Local Municipality, all urgent interventions in respect of the provision of a continued supply of potable water to the community;
- All urgent interventions in respect of the operation of the sewerage purification plant and discharge of sewer that complies with the relevant legal requirements.
- Expenditure relating to "strip-and-quote" in respect of repair and maintenance of council's assets required for service delivery to the community.
- Any other expenditure the municipal manager may consider to be of an urgent nature to maintain basic service delivery to the community in terms of council's approved mandate.

Deviations from the SCM policy must be dealt with administratively according to the following process;

- As and when an official identify an urgent expenditure to be incurred in terms of the aforementioned circumstances he/she must report immediately to the relevant director.
- The relevant director must prepare a report to explain the circumstances around the expenditure as well as a motivation to deviate from the SCM policy.
- Said report must be submitted for comments to the SCM unit as well as the Budget & Treasury Office for financial comments.
- Report to be submitted thereafter to the Municipal Manager for consideration.
- After the request was approved by the Municipal Manager can the SCM unit continue with the issuing of an official order.
- In the case of a very urgent expenditure the director involve may continue with the expenditure after confirmation from the municipal manager to continue where-after the municipal manager may condone the expenditure in writing immediately afterwards.

The Municipal Manager must report to Council all deviations from the SCM policy.

7. OTHER EXTERNAL DEPOSITS

Other investment possibilities, which are subject to the applicable legislation and are available to the council include debentures as well as other municipalities or statutory bodies in the Republic instituted under and in terms of any law with regard to such investments; the principles and practice, as set out above, will apply.

8. CONTROL OVER INVESTMENTS

Proper record in the form of an investment register should be kept of all investments made inter-alia the following should be reflected:- The institution, funds, interest rates and the maturation date.

9. ASSETS ACCUMULATION

The council should identify appropriate public assets, which it invests in, which will have a worth-while financial return, and avoid investing in public assets which would be costly for the council.

10. PUBLIC PRIVATE PARTNERSHIP (PPP)

The council should carefully investigate possibilities of (PPP) which may be more viable in rendering municipal services.

It should also review the performance of the municipality with regards to service delivery and investigate the most effective ways of rendering services to communities.

The municipality will explore mechanisms of attracting investment within the jurisdiction of the municipality through reduced assessment rates and other stimulative means of contributing to economic growth and job creation.

The municipality will liaise with Provincial and National Government on the required protocol of such ventures. The council will also through its LED Strategy encourage local investment within the municipal area of jurisdiction.

11. INTERNATIONAL INVESTMENTS

The council will not Invest Surplus Funds abroad due to its Local Economic Development Strategy. All Surplus Funds will be invested within the borders of the Republic of South Africa.

However the council will welcome international investors to invest within the municipal council boundaries, in a manner which will be discussed at length in the Local Economic Development Strategy of the Municipality.

12. OTHER FINANCIAL POLICY STATEMENTS/PROCEDURES

See delegation of signing powers attached.



VICTOR KHANYE LOCAL MUNICIPALITY

Tariff By-law

1. Preamble

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

AND WHEREAS section 75A of the Municipal Systems Act authorises a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality; and recover collection charges and interest on any outstanding amount.

AND WHEREAS section 74(1) of the Municipal Systems Act requires a municipality to adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality or on behalf of the municipality which complies with the provision of the Municipal Systems Act, Municipal Finance Management Act and any other applicable legislation.

AND WHEREAS section 75 of the Municipal Systems Act requires a municipality to adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

AND WHEREAS by-law adopted in terms of the said section 75 of Municipal Systems Act may differentiate between different categories of users, debtors, service providers, services, service standards and geographic areas as long as such differentiation does not amount to unfair discrimination.

NOW THEREFORE the Municipal Council of the municipality in terms of section 156 of the Constitution of the Republic of South Africa read with section 11 of the Municipal Systems Act hereby makes and enacts the following By-law:

2. Definitions

"Constitution" means the Constitution of the Republic of South Africa

"Council" means Municipal Council of Victor Khanye Local Municipality

"Credit Control and Debt Collection By-law and Policy" means Credit Control and Debt Collection Policy and By-law of Victor Khanye Local Municipality

"Municipal Council" means Municipal Council of Victor Khanye Local Municipality

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

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

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

"Municipality" means Victor Khanye Local Municipality

"Rate" means property rate in terms of Municipal Property Rates Act

"Tariff" means fees, charges and surges on tariffs levied by the municipality in respect of any function or service provided by the municipality or on behalf of the municipality, but excludes levying of property rates in terms of Municipal Property Rates Act

3. Objects

3.1 The object of this by-law is to give effect to the implementation and enforcement of the Tariff policy as contemplated in section 74(1) of the Municipal Systems Act.

3.2 Further, to give effect to the Credit Control and Debt Collection Policy and/or By-law of the municipality.

4. Adoption and Implementation of Tariff Policy

4.1 The municipality shall adopt and implement tariff policy on the levying of fees for municipal services provided by the municipality or on behalf of the municipality which complies with

the provisions of the Municipal Systems Act read together with Municipal Finance Management Act and any other applicable legislation.

- 4.2 The tariff policy adopted in terms of 4.1 hereof shall reviewed annually as part of the Annual Budget Process; and be amended accordingly, if need be.
- 4.3 The municipality shall not impose tariffs other than in terms of a valid tariff policy
- 4.4

5. Tariff Policy

- 5.1 The tariff policy shall apply to all tariffs imposed by the municipality.
- 5.2 The tariff policy shall reflect the principles referred to in:
 - (a) Section 74(1) of the Municipal Systems
 - (b) Section 97 of the same Act
 - (c) section 4(2) of the same Act
- 5.3 The tariff policy shall specify the basis of differentiation, if any, for tariff purposes, between different categories of users, debtors, service providers, services, service standards and geographic areas as long as such differentiation does not amount to unfair discrimination.
- 5.4 The policy shall include such further enforcement mechanism, if any, as the municipality may wish to impose in addition to those contained in the Credit Control and Debt Collection Policy and/or By-law

6. Enforcement of Tariff Policy

The tariff policy shall be enforced through Credit Control and Debt Collection By-law and/or Policy; and any further enforcement mechanisms set out in other relevant and applicable legislation or Policy of the municipality

7. Repeal of previous by-laws

This By-law hereby repeals all previous by-laws on Tariff of the municipality hitherto the promulgation of this by-law

8. Short Title and Commencement

This By-law shall be called Tariff By-law, 2017 and takes effect on the date of the publication hereof in the provincial gazette or as otherwise indicated in the Notice hereof



Victor

Khanye Local

Municipality

Credit Control and Debt Collection By-law

Notice No.

Date.....

1.Preamble

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

AND WHEREAS section 4 (1) (c) of the Municipal Systems Act provides that a municipality has a right to finance its affairs by charging fees for services, imposing surcharges on fees, rates on property and, subject to national legislation, other taxes, levies and duties.

AND WHEREAS section 5 (1) (g) provides that the members of the community have a right to have access to municipal services which the municipality provides; section 5 (2) (b) places a duty on the members of the community to pay promptly for services fees, surcharges on fees and other taxes, levies and duties imposed by the municipality.

AND WHEREAS section 95 of the Municipal Systems Act provides for the municipality must, within its financial and administrative capacity, establish a total responsive Customer Relations Management System to cater for:

- Positive and reciprocal relationship with the Rates Payers and Users of municipal services who are liable for payment thereof.
- Mechanism for Rate Payers and Users of municipal services to give a feedback on the quality.
- Informing the Users of services of the costs of services, the reasons for payment for services and the utilisation of the money raised from services.
- Measurement and accurate/verifiable quantification of consumption of services.
- Regular and accurate accounts to Rate Payers/Users of services, showing the basis of the calculation of the due to municipality.
- Accessible pay points and other mechanism for settling accounts including pre-payments for services.
- Query and Complaints management and procedure thereof for prompt response and corrective action on one hand and monitoring thereof on the other

AND WHEREAS section 96 of the Municipal Systems Act and section 62 (1) (f) of Municipal finance Management Act read together with section 21 (2) of Water Services Act, 1997, place an obligation on the municipality to collect all money due and payable to the municipality; and, for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with rates and tariff policies and compliant with the Act.

AND WHEREAS section 100 of the Municipal Systems Act places obligation on the Municipal Manager or the Service Provider to implement and enforce the Municipality's Credit Control Policy and the By-law enacted in terms of section 98 of the Municipal Systems Act.

AND WHEREAS section 97 of the Municipal Systems Act requires that the said policy must provide for the:

- Credit control procedure and mechanisms
- Debt collection procedure and mechanisms
- Provision for the indigent debtors which is consistent with the rate and tariff policies and national policy on indigents
- Interest on arrears, where appropriate
- Extension of time for the payment of accounts

- Termination of services or restriction of services when the payments are in arrears
- Illegal consumption of services and damage to municipal infrastructure
- The credit control and debt collection policy may differentiate between different categories of ratepayers, users, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination

AND WHEREAS section 102 of the Municipal Systems Act permits the municipality to consolidate the accounts of a debtor liable for payment to the municipality; credit payment from such debtor against any of the debtor's accounts; and implement any of the credit control and debt collection measures provided for in the Act in respect of any of the debtor's accounts which remains in arrears; subject to subsection 2 of the said section.

AND WHEREAS section 62 of the Municipal Systems Act, makes ample provisions for consumers or debtors to appeal decisions or actions of municipal officials in instances of disagreement with such decisions or actions.

AND WHEREAS section 98 of the Municipal Systems Act requires the municipality to adopt a By-law to give effect to the municipality's credit control and debt collection policy including its implementation and enforcement.

NOW THEREFORE the Council of the municipality in terms of section 156 of the Constitution of the Republic of South Africa read together with section 11 of the Municipal Systems Act hereby makes and enacts the following By-law:

Scope and area of application

This policy applies to all corporate, private residents and customers of the municipality

throughout the area of the Victor Khanye Local Municipality (VKLM).

2. Definitions

Account:- Any account rendered for municipal taxes, services and other charges. This includes charges raised as a result of damages to Municipal property.
“Act” means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended

Arrangement:- Means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section i(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act

Arrears :- Any amount due, owing payable in respect of municipal services not paid by due date.

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

“Constitution” means the Constitution of the Republic of South Africa

“Council” The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Rand West City Local Municipality established by Provincial Notice 184 of 2000, as amended, exercising its legislative and executive authority through its Municipal Council; or
(b) its successor in title; or
(c) a structure or person 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 Local Government: Municipal Systems Act,

2000 (Act No. 32 of 2000); or a service provider fulfilling a responsibility under this Policy,
assigned to it in terms of section 81(2) of the Local Government: Municipal Systems Act,
or any other law, as the case may be;
"Councillor" means a sitting Councillor of Municipality
"Credit Control" All the functions relating to the collection of monies owed by ratepayers
and the users of municipal services.

Credit Control:-

Means all the functions relating to the collection of monies owed by ratepayers
and the users of municipal services.

"Credit Control and Debt Collection By-law and Policy" means Credit Control and Debt Collection Policy and By-law of the Municipality

"customer" Any occupier of any premises to which Council has agreed to supply or is
actually supplying services, or if there is no occupier, then the owner of the premises and
includes any debtor of the municipality;

Debtors: -A person who owes the municipality money for services consumed and to whom an account was rendered.

Debtor's socio-economic status: -It is the situation within which a debtor is perceived to be living in, which will
assist in assessing how much income does the debtor generate thus how much can the debtor be able to pay for arrears.

Debt Collectors: -Means an external person or entity appointed by the Municipality to collect monies due and payable to the Municipality, subject to the conditions contained herein.

"defaulter" Any Person who owing the Council arrear monies in respect of rates and / or service charges;

Employer: - Means an employer as defined in paragraph 1 of the seventh schedule of the Income tax act, act no 58 of 1962;

Illegal tempering: - It is the unauthorized handling of municipal infrastructural assets, with the
intention to distort information that can be accessed from such machinery or

with the intention to consume services in a fraudulent manner.

Indigent: - A person who is needy and furthermore who generates no income or generates

income which is so minimal that he can't make a worthwhile contribution towards the payment of municipal services.

"interest" A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;

"municipal account" An account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

"Municipal Equipment" means any part of the reticulation supply system, water meter, electricity meter, water pre-paid meter, electricity pre-paid meter or water smart meter or electricity smart meter

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

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

"municipal services" Those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;

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

"Municipality" means Victor Khanye Local Municipality

"Official" means employee of the municipality or/and employee of the Service Provider of the Municipality

"occupier" Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

"owner" –The person in whom from time to time is vested the legal title to premises;

In a case where the person in whom the legal title is vested is insolvent or dead, or is under

any form of legal disability whatsoever, the person in whom the administration of and control

of such premises is vested as curator, trustee, executor, administrator, judicial manager,

liquidator or other legal representative;

In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;

In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;

In relation to A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act

1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or

A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;

Any legal person including but not limited to-

A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;

Any department of State;

Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;

Any Embassy or other foreign entity;

"premises" Includes any piece of land, the external surface boundaries of which are delineated on A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); or

A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

"Policy" means Credit Control and Debt Collection Policy

"Rate" means property rate in terms of Municipal Property Rates Act

"Tariff" means fees, charges and surcharges on tariffs levied by the municipality in respect of any function or service provided by the municipality or on behalf of the municipality, but excludes levying of property rates in terms of Municipal Property Rates Act

Water Services Act means Water Services Act, 1997 (Act no. 108 of 1997) as amended

3. Interpretation of the By-law

This is an English version of this By-law. In the event of a conflict of interpretation between the English version and another translated version, the English version prevails over the other

4. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 4.1. Ensure that all monies due and payable to the municipality are collected;
- 4.2 Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- 4.3 Provides for indigents in a way that is consistent with rates and tariff policies and any national policy on indigents subject to the indigent Policy of the municipality.
- 4.4 Set realistic targets consistent with generally recognized accounting practices and collection ratios and the estimates of income set in the budget less an acceptable provision for bad debts;
- 4.5 Provide for the interest charge on arrears, where appropriate; and provide for extension of time for payment of an account;
- 4.6 Provide for disconnection of services or the restriction of the provision of services when payment is in arrears; and also, provide for matters relating to unauthorized consumption of services, theft and damage; Victor Khanye Local Municipality would like to give priority to the basic needs of the municipality, promote the development of the local community, ensure that all members of the municipality have access to at least the minimum level of basic municipal service, which are equitable, accessible, and are provided in an economically & environmentally sustainable manner. This policy aims to stimulate and maintain cost recovery measures in the provision of services so that the level, standard and quality of municipal services can be reviewed and improved over a period of time.

4. Adoption and Implementation of Credit Control and Debt Collection Policy

- a. The municipality shall in terms of section 96 of the Municipal Systems Act, adopt, maintain and implement Credit Control and Debt Collection Policy for the purpose of collecting all money due and payable to the municipality
- b. The Credit Control and Debt Collection Policy adopted in terms of sub-paragraph 5.1 hereof shall be reviewed

annually as part of the Annual Budget Process of the municipality, for either confirmation and reiteration or amendment; which reiteration or amendment shall have the force and effect as contemplated in section 96 of the Municipal Systems Act.

5. Enforcement

This By-law shall be enforced through:

- a. The Credit Control and Debt Collection Policy of the municipality adopted in terms of paragraph 5 hereof and;
- b. The Property Rates and Tariff Policies of the municipality, including the By-laws thereof.

6. Offences and penalties

Any person who:

- (a) Contravenes or fails to comply with the provisions of this By-law or the Policy;
- (b) Fails to comply with a notice served in terms of this By-law or the Policy;
- (c) Tamper with any municipal equipment or breaks any seal on a meter ;
- (d) Uses or consumes municipal service(s) unlawfully;
- (e) Interferes unlawfully with municipal equipment or the supply system of municipal service(s) in one way or another; or
- (f) Obstruct or hinders any official or councillor of the municipality in the execution of her/his duties under this By-law or the Policy, is guilty of an offence and liable on conviction to a penalty.

7. Repeal

This By-law hereby repeals all previous by-laws on Credit Control and Debt Collection of the municipality hitherto the promulgation of this by-law

8. Short title

This By-law shall be called Credit Control and Debt Collection By-law, and takes effect on the date of the publication hereof in the provincial gazette or as otherwise indicated in the Notice hereof



UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY / STRATEGY 2025/26

**VICTOR KHANYE LOCAL
MUNICIPALITY**

TABLE OF CONTENTS

- 1 INTRODUCTION**
- 2 OBJECTIVE**
- 3 ENABLING LEGISLATION**
- 4 APPLICATION OF THIS POLICY**
- 5 DEFINITIONS**
- 6 UNAUTHORISED EXPENDITURE**
- 7 IRREGULAR EXPENDITURE**
- 8 FRUITLESS AND WASTEFUL EXPENDITURE**
- 9 REPORTING ON UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
- 10 MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL**
- 11. INVESTIGATION AND REGULARIZING OF UNAUTHORIZED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
- 12. DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
- 13. RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**
- 14. CONSEQUENCES OF NON-COMPLIANCE**
- 15. PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITUR**
- 16 EFFECTIVE DATE**
- 17 REVIEW OF POLICY**

ABBREVIATIONS/ACRONYMS

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

CFO	-	Chief Financial Officer
DM	-	Divisional Manager Assistant Manager
VKLM	-	VICTOR KHANYE LOCAL MUNICIPALITY
NDM	-	Nkangala District Municipality
MFMA	-	Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	-	Municipality Municipal Public Account Committee
MM or AO	-	Municipal Manager or Accounting Officer
SAPS	-	South African Police Services
MSA	-	Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	-	Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	-	Remuneration of Public Office Bearers Act
Policy	-	Policy on unauthorised, irregular, fruitless and wasteful expenditure
MBRR	-	Municipality Budget Rules and Regulations

1 INTRODUCTION

- 1.1. In terms of section 62 of the Municipal Finance Management Act No. 56 of 2003 (herein referred to as "MFMA"), the accounting officer is responsible for managing the financial affairs of Victor Khanye Local Municipality (VKLM) and must, for this purpose, inter alia:
- a) Take all reasonable steps to ensure that unauthorised, irregular, fruitless and wasteful expenditure and other losses are prevented; and
 - b) Ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any official or councillor of VKLM who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- 1.2. This is to ensure the effective, efficient and transparent systems of financial, risk management and internal control.

2 OBJECTIVE

- 2.1. This document sets out VKLM's policy and procedures with regards to unauthorised, irregular, fruitless and wasteful expenditure.
- 2.2. This policy aims to ensure that, amongst other things:
- a) Unauthorised, irregular, or fruitless and wasteful expenditure is detected, processed, recorded, and reported in a timely manner;
 - b) Officials and councillors have a clear and comprehensive understanding of the procedures they must follow when addressing unauthorised, irregular, fruitless and wasteful expenditure;
 - c) VKLM's resources are managed in compliance with the MFMA, the municipal regulations and other relevant legislation; and
 - d) All officials and councillors are aware of their responsibilities in respect of unauthorised, irregular, fruitless and wasteful expenditure.

3 ENABLING LEGISLATION

The following enabling legislation sets the precedent for the development of VKLM's unauthorised, irregular, fruitless and wasteful expenditure Policy:

- a) The Constitution of the Republic of South Africa, 1996, Act No 108 of 1996;

- b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- c) The Remuneration of Public Office Bearers Act;
- d) Municipal Systems Act, 2000, Act No 32 of 2000;
- e) MFMA Circular 68;
- f) Any other legislation, regulation or circular that may impact this policy; and
- g) Municipal Structures Act No. 117 of 1998.

4 APPLICATION OF THIS POLICY

3.1. This policy applies to all officials and councillors of VKLM.

3.2. This policy should be read in conjunction with the following of VKLM:

- a) Delegations of Authority;
- b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
- c) Circular on financial misconduct;
- d) Breach of the Code of Conduct for Municipal Staff Members; and
- e) Breach of the Code of Conduct for Councillors.

3.3. Officials and Councillors must ensure all instances of unauthorised, irregular expenditure as well as fruitless and wasteful expenditure are prevented where possible, and is detected and reported in a timely manner.

5 DEFINITIONS

Except if otherwise indicated:

“Councillor” means member of municipal council of VKLM.

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

“Financial Misconduct” means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the Act.

“Irregular expenditure”, in relation to a municipality or municipal entity, means:

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

- b) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of this Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998, (Act 20 of 1998);
- d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of NDM or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law; or
- e) excludes expenditure by a municipality which falls within the definition of „unauthorised expenditure“.

„**Official**“, in relation to a VKLM, means:

- a) an employee of VKLM;
- b) a person seconded to a VKLM or to work as a member of the staff of the VKLM; or
- c) a person contracted by a VKLM to work as a member of the staff of the VKLM or otherwise than as an employee.

„**Overspending**“ means:

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

„**Political Office Bearer**“ means the speaker, executive mayor, mayor, deputy mayor, or a member of the executive committee as referred to in the Municipal Structures Act.

„**Prohibited expenditure**“ in relation to this policy means unauthorised, irregular, fruitless and wasteful expenditure;

„**Senior Manager**“ has the meaning assigned to it in section 1 of the MFMA and in relation to VKLM refers to Deputy Managers, CFO.

„ Unauthorised expenditure“, means:

any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of „allocation“ otherwise than in accordance with any conditions of the allocation; or
- f) a grant by NDM otherwise than in accordance with the MFMA.

„Vote“ means:

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department 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.

6 UNAUTHORISED EXPENDITURE

- 6.1. The municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 6.2. Expenditure incurred within the ambit of VKLM's virement policy is not regarded as unauthorised expenditure.
- 6.3. Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure.
- 6.4. Unauthorised expenditure would include:
 - a) Any overspending in relation to both the operational budget and capital budget of the municipality;

- b) Overspending in relation to each of the votes on both the operational budget and capital budget;
- c) Use funds allocated to one department for purposes of another department or for purposes that are not provided for in the budget;
- d) Funds that have been designated for a specific purpose or project within a department's vote may not be used for any other purpose;
- e) Any use of conditional grant funds for a purpose other than that specified in the relevant conditional grant framework is classified as unauthorised expenditure;
- f) Any grant to an individual or household unless it is in terms of the municipality's bursary scheme, support to SMME's and Cooperatives policy;
- g) Unforeseen and unavoidable expenditure not authorised within an adjustments budget within 60 days after the expenditure was incurred; and

6.5 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner

6.6 Expenditures that are NOT classified as unauthorized expenditure

Given the definition of unauthorised expenditure, the following are examples of expenditure that are NOT unauthorised expenditure:

- i. Any over-collection on the revenue side of the budget as this is not an expenditure; and
- ii. Any expenditure incurred in respect of:
 - any of the transactions mentioned in section 11(1)(a) to (j) of the MFMA;
 - re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
 - overspending of an amount allocated by standard classification on the main budget Table A2 (Budgeted Financial Performance: revenue and expenditure by standard classification), as long as it does not result in overspending of a „vote“ on the main budget Table A3 (Budgeted Financial Performance: revenue and expenditure by municipal vote) and Table A4 (Budgeted Financial Performance: revenue and expenditure (read in conjunction with supporting Table SA1) of the MBRR; and
 - overspending of an amount allocated by standard classification on the main budget Table A5 (Budgeted Capital Expenditure by vote, standard classification and funding) of the MBRR so long as it does not result in overspending of a „vote“ on the main budget Table A5.

6.6.1 Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:

- a) To defray expenditure authorised in terms of section 26 (4) of the MFMA, [*Section 26: Consequences of failure to approve a budget before the start of the budget year*];
- b) To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [*Section 29: Unforeseen and unavoidable expenditure*] failing which the unforeseen /unavoidable expenditure is unauthorised;
- c) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
- d) Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [*Section 12: Relief, charitable, trust or other funds*];
- e) To pay over to a person or organ of state money received by the NDM on behalf of that person or organ of state, including—
 - (i) money collected by the NDM on behalf of that person or organ of state by agreement; or
 - (ii) any insurance or other payments received by the VKLM for that person or organ of state;
- f) To refund money incorrectly paid into a bank account;
- g) To refund guarantees, sureties and security deposits;
- h) For cash management and investment purposes in accordance with section 13 [*Section 13: Cash Management and Investments*]; and
- i) To defray increased expenditure in terms of section 31 [*Section 31: Shifting of funds between multi-year appropriations*].

6.6.2 Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

7 IRREGULAR EXPENDITURE

7.1. Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality" supply chain management policy.

7.2. Irregular expenditure is actually expenditure that is in violation of some or other procedural/legislative requirement as specified in the MFMA.

7.3. Irregular expenditure excludes unauthorised expenditure.

7.4. Although a transaction or an event may trigger irregular expenditure, Council will only identify irregular expenditure when a payment is made. The recognition of irregular expenditure must be linked to a financial transaction.

7.5. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

7.6. Remuneration of councillors

7.6.1. Payments to VKLM councillors cannot exceed the upper limits of the salaries, allowances and benefits for those councillors as promulgated in the Public Officers Bearers Act.

7.6.2. Any remuneration paid or given in cash or in kind to a person as a councillor or as a member of a political structure of VKLM otherwise than in accordance with 7.6.1 including any bonus, bursary, loan, advance or other benefit, must be classified as irregular expenditure.

7.7. Irregular staff appointments

7.7.1. No person may be employed in VKLM unless the post to which he or she is appointed, is provided for in the VKLM's staff establishment of the municipality as approved by the council, except if in a temporally capacity for a specific sated period.

7.7.2. Any person who takes a decision contemplated in subparagraph (7.7.1) knowing that such decision is unlawful, will be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of such invalid decision.

7.8 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

8 FRUITLESS AND WASTEFUL EXPENDITURE

8.1. All officials and councillors must always act cautiously when spending public money and ensure that they abide by the public and accountability principles

which are to promote "efficient, economic and effective use of resources and the attainment of value for money".

8.2. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

8.3. This type of expenditure is incurred where no value for money is received for expenditure or the use of resources. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

8.4. Expenditure incurred that has been budgeted for (authorised) and was not regarded as irregular expenditure could be classified as fruitless and wasteful expenditure.

8.5.1 An expense is only fruitless and wasteful in terms of this policy if:

- (i) It was made in vain (meaning that the municipality did not receive value for money) and;
- (ii) and would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned did not carelessly or negligently cause the expenditure to be incurred by the municipality furthermore another official or councillor under the same circumstances would not have been able to avoid incurring the same expenditure).

8.5.2 In determining whether expenditure is fruitless and wasteful, officials and councillors must apply the requirement of reasonable care as an objective measurement to determine whether or not a particular expenditure was fruitless and wasteful, that is-

- a) Would the average man (in this case the average experienced official or councillor) have incurred the particular expenditure under exactly the same conditions or circumstances? and
- b) Is the expenditure being incurred at the right price, right quality, right time and right quantity?

- 8.6 Officials and councillors must ensure that all instances of fruitless and wasteful expenditure are prevented where possible, and are detected and reported in a timely manner.

9 REPORTING ON UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 9.1. Reporting of unauthorised, irregular, fruitless and wasteful expenditure must be done at the appropriate level, as this could constitute financial misconduct as follows:

- a) a Councillor of a municipality, must be reported to the Speaker of the council;
- b) the municipal manager and speaker, must be reported to the mayor;
- c) general managers or the chief financial officer, must be reported to the municipal manager;
- d) All cases of prohibited expenditure reported as per a), b) and c) above must be referred to MPAC for investigation unless the allegations are frivolous, vexatious, speculative or obviously unfounded; and
- e) officials below general management level of the municipality must be reported to the MM unless in the professional opinion of the MM the nature or the amount of the prohibited expenditure warrants the case to be referred to MPAC.

- 9.2. All reports made by officials, councillors must be treated with utmost confidentiality.

- 9.3. The MM must promptly inform the Mayor, the MEC for local government in the Province and the Auditor-General, in writing, of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality:

- a) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- b) the steps that have been taken:
 - To recover or rectify such expenditure; and
 - To prevent a recurrence of such expenditure.

- 9.4. All expenditure classified as unauthorised, irregular, fruitless and wasteful expenditure must be reported to:

- a) The Finance (Section 80) on a monthly basis;

- b) Mayoral Committee on a monthly basis;
- c) Council on a quarterly basis;
- d) MPAC on a quarterly basis; and
- e) Audit Committee on a quarterly basis.

9.5. In accounting for unauthorised, irregular, fruitless and wasteful expenditure, municipal manager or delegated officials (as may be relevant) must ensure that:

- a) All confirmed unauthorised, irregular, fruitless and wasteful expenditure must be recorded in separate account, in the accounting system of VKLM, created for each of the above types of expenditure;
- b) All such expenditure is disclosed in the annual financial statements as required by the MFMA and treasury requirements; and
- c) Details pertaining to unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the Municipality's Annual Report.

10 MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

10.1. Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure:

10.2. The registers must be updated on a monthly basis.

11 INVESTIGATION OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

11.1. MPAC must institute an investigation of all prohibited expenditure reported in terms of clause 9.1. (d), above

11.2. The CFO must seek the Municipal Managers approval to investigation all prohibited expenditure reported to him/her in terms of clause 9.1(e) unless the allegations are frivolous, vexatious, speculative or obviously unfounded.

11.3. Once the nature of the expenditure is confirmed as unauthorised, irregular, fruitless and wasteful expenditure, the person to whom the prohibited expenditure was reported in terms of clause 9.1 above must institute the necessary procedures which could include disciplinary as well criminal proceedings.

12 DISCIPLINARY AND CRIMINAL CHARGES FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

12.1. After having followed a proper investigation, as per paragraph 11 above, the MPAC or the MM as the case may be must determine whether there is a prima facie case and that a Councillor or official made, permitted or authorized prohibited expenditure.

12.2. If a prima facie case has been established, as per paragraph 12.1 above, then MPAC, mayor or municipal manager (as may be relevant) must institute disciplinary action as follows:

- a) *Financial misconduct in terms of section 171 of the MFMA:* in the case of an official that deliberately or negligently:
 - (i) contravened a provision of the MFMA which resulted in prohibited expenditure; or
 - (ii) made, permitted or authorised an irregular expenditure (due to non-compliance with any of legislation mentioned in the definition of irregular expenditure);
- b) *Breach of the Code of Conduct for Municipal Staff Members:* in the case of an official whose actions in making, permitting or authorizing an prohibited expenditure constitute a breach of the Code; and
- c) *Breach of the Code of Conduct for Councillors:* in the case of a Councillor, whose actions in making, permitting or authorizing an irregular expenditure constitute a breach of the Code. This would also include instances where a councillor knowingly voted in favour or agreed with a resolution before council that contravened legislation resulting in prohibited expenditure when implemented, or where the Councillor improperly interfered in the management or administration of the municipality.

12.3. The MPAC, mayor or municipal manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases of alleged:

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

12.4. The Mayor must take all reasonable steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if:

- a) The charge is against the MM; or
- b) The MM fails to comply with the above paragraph.

13 RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

13.1. The MM or delegated person must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:

- a) in the case of unauthorised expenditure, is
 - I. authorised in an adjustment budget; OR
 - II. certified by the municipal council, after investigation by MPAC, as irrecoverable and is written off by council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by MPAC, certified by council as irrecoverable and written off by council.

13.2. Irregular expenditures resulting from breaches of the Public Office-Bearers Act must be recovered from the Councillor to whom it was paid.

13.3. Once it has been established who is liable for the unauthorised, irregular, fruitless and wasteful expenditure, the Municipal Manager must in writing request that the liable Councillor or official pay the amount within 30 days or in reasonable instalments.

13.4. Without limiting liability in terms of the common law or other legislation, the MM must recover any such expenditure, in full, from official or Councillor where:

- a) In the case of a Councillor, the Councillor knowingly or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, instructed an official of NDM to incur the expenditure; and

- b) In case of the official, the official deliberately or negligently incurred such expenditure.

13.5. The fact that the Council may have approved the expenditure for writing off or deemed it to be irrecoverable is no excuse in:

- a) Either disciplinary or criminal proceedings against a person charged with the commission of an offence or a breach of the MFMA relating to such unauthorised, irregular or fruitless and wasteful expenditure; or
- b) Recovery of such expenditure from such person.

13.6. If the official or councillor fails to make satisfactory payment arrangements or fails to honour payment arrangements made, the amount owed for prohibited expenditure must be recovered through the normal debt collection process of the municipality.

14 CONSEQUENCES OF NON-COMPLIANCE

14.1. Any official or councillor who does not comply with their reporting duties in terms of this policy could be found guilty of Financial Misconduct.

14.2. Any councillor or official of VKLM will be committing an act of financial misconduct if that councillor or official deliberately or negligently makes or permits, or instructs another official of VKLM to make, an unauthorised, irregular or fruitless and wasteful expenditure.

15 PROTECTION OF OFFICIALS OR COUNCILLORS WHO HAVE REPORTED UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

15.1. If any official or councillor who has complied with this policy and as a result thereof has been subjected to intimidation, victimisation, threats such official or councillor should immediately report such threats, victimisation or intimidation immediately to the MM or the Mayor where applicable.

15.2. The MM or Mayor must immediately take appropriate action to ensure that protection of the official or councillor after receiving the above report.

15.3. Where the nature of the threats warrants such action, the threats should be reported to the SAPS by the official concerned, the MM or the Mayor, where applicable.

16 EFFECTIVE DATE

This policy will be effective upon adoption by Council.

17 REVIEW OF POLICY

This policy must be reviewed and updated:

- a) Annually in line with the budget cycle and submitted with the budget policies; or
- b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

18 Policy hierarchy

Wherever this policy is not aligned to the cost containment regulation, the cost containment regulation will supersede this policy



UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE POLICY / STRATEGY 2025/26

**VICTOR KHANYE LOCAL
MUNICIPALITY**

ABBREVIATIONS/ACRONYMS

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

CFO	-	Chief Financial Officer
DM	-	Divisional Manager Assistant Manager
VKLM	-	VICTOR KHANYE LOCAL MUNICIPALITY
NDM	-	Nkangala District Municipality
MFMA	-	Municipal Finance Management Act, 2003, No. 56 of 2003
MPAC	-	Municipality Municipal Public Account Committee
MM or AO	-	Municipal Manager or Accounting Officer
SAPS	-	South African Police Services
MSA	-	Municipal Systems Act, 2000, No. Act 32 of 2000
Structures Act	-	Municipal Structures Act, 1998, Act No 117 of 1998
RPOBA	-	Remuneration of Public Office Bearers Act
Policy	-	Policy on unauthorised, irregular, fruitless and wasteful expenditure
MBRR	-	Municipality Budget Rules and Regulations

- b) The Municipal Finance Management Act, 2003, No 56 of 2003;
- c) The Remuneration of Public Office Bearers Act;
- d) Municipal Systems Act, 2000, Act No 32 of 2000;
- e) MFMA Circular 68;
- f) Any other legislation, regulation or circular that may impact this policy; and
- g) Municipal Structures Act No. 117 of 1998.

4 APPLICATION OF THIS POLICY

3.1. This policy applies to all officials and councillors of VKLM.

3.2. This policy should be read in conjunction with the following of VKLM:

- a) Delegations of Authority;
- b) Procedures for unauthorised, irregular, fruitless and wasteful expenditure;
- c) Circular on financial misconduct;
- d) Breach of the Code of Conduct for Municipal Staff Members; and
- e) Breach of the Code of Conduct for Councillors.

3.3. Officials and Councillors must ensure all instances of unauthorised, irregular expenditure as well as fruitless and wasteful expenditure are prevented where possible, and is detected and reported in a timely manner.

5 DEFINITIONS

Except if otherwise indicated:

“Councillor” means member of municipal council of VKLM.

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

“Financial Misconduct” means any misappropriation, mismanagement, waste or theft of the finances of a municipality, and also includes any form of financial misconduct specifically set out in sections 171 and 172 of the Act.

“Irregular expenditure”, in relation to a municipality or municipal entity, means:

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

„ Unauthorised expenditure“, means:

any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes-

- a) overspending of the total amount appropriated in the municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of „allocation“ otherwise than in accordance with any conditions of the allocation; or
- f) a grant by NDM otherwise than in accordance with the MFMA.

„Vote“ means:

- (a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different department 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.

6 UNAUTHORISED EXPENDITURE

- 6.1. The municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.
- 6.2. Expenditure incurred within the ambit of VKLM's virement policy is not regarded as unauthorised expenditure.
- 6.3. Any expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, economic entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the MFMA is regarded as unauthorised expenditure.
- 6.4. Unauthorised expenditure would include:
 - a) Any overspending in relation to both the operational budget and capital budget of the municipality;

6.6.1 Money withdrawn from a bank account under the following circumstances, without appropriation, in terms of an approved budget, is not regarded as unauthorised expenditure:

- a) To defray expenditure authorised in terms of section 26 (4) of the MFMA, [*Section 26: Consequences of failure to approve a budget before the start of the budget year*];
- b) To defray unforeseen / unavoidable expenditure circumstances strictly in accordance with Section 29 (1) of the MFMA [*Section 29: Unforeseen and unavoidable expenditure*] failing which the unforeseen /unavoidable expenditure is unauthorised;
- c) re-allocation of funds and the use of such funds in accordance with a council approved virement policy;
- d) Expenditure incurred from a special bank account for relief, charitable or trust purposes provided of course that it is done strictly in accordance with Section 12 of the MFMA [*Section 12: Relief, charitable, trust or other funds*];
- e) To pay over to a person or organ of state money received by the NDM on behalf of that person or organ of state, including—
 - (i) money collected by the NDM on behalf of that person or organ of state by agreement; or
 - (ii) any insurance or other payments received by the VKLM for that person or organ of state;
- f) To refund money incorrectly paid into a bank account;
- g) To refund guarantees, sureties and security deposits;
- h) For cash management and investment purposes in accordance with section 13 [*Section 13: Cash Management and Investments*]; and
- i) To defray increased expenditure in terms of section 31 [*Section 31: Shifting of funds between multi-year appropriations*].

6.6.2 Any expenditure approved in terms the Municipal Budget and Reporting Regulations (MBRR).

7 IRREGULAR EXPENDITURE

7.1. Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality" supply chain management policy.

7.2. Irregular expenditure is actually expenditure that is in violation of some or other procedural/legislative requirement as specified in the MFMA.

which are to promote "efficient, economic and effective use of resources and the attainment of value for money".

8.2. Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

8.3. This type of expenditure is incurred where no value for money is received for expenditure or the use of resources. No particular expenditure is explicitly identified by the MFMA as fruitless and wasteful.

8.4. Expenditure incurred that has been budgeted for (authorised) and was not regarded as irregular expenditure could be classified as fruitless and wasteful expenditure.

8.5.1 An expense is only fruitless and wasteful in terms of this policy if:

- (i) It was made in vain (meaning that the municipality did not receive value for money) and;
- (ii) and would have been avoided had reasonable care been exercised (meaning that the official or councillor concerned did not carelessly or negligently cause the expenditure to be incurred by the municipality furthermore another official or councillor under the same circumstances would not have been able to avoid incurring the same expenditure).

8.5.2 In determining whether expenditure is fruitless and wasteful, officials and councillors must apply the requirement of reasonable care as an objective measurement to determine whether or not a particular expenditure was fruitless and wasteful, that is-

- a) Would the average man (in this case the average experienced official or councillor) have incurred the particular expenditure under exactly the same conditions or circumstances? and
- b) Is the expenditure being incurred at the right price, right quality, right time and right quantity?

- b) Mayoral Committee on a monthly basis;
- c) Council on a quarterly basis;
- d) MPAC on a quarterly basis; and
- e) Audit Committee on a quarterly basis.

9.5. In accounting for unauthorised, irregular, fruitless and wasteful expenditure, municipal manager or delegated officials (as may be relevant) must ensure that:

- a) All confirmed unauthorised, irregular, fruitless and wasteful expenditure must be recorded in separate account, in the accounting system of VKLM, created for each of the above types of expenditure;
- b) All such expenditure is disclosed in the annual financial statements as required by the MFMA and treasury requirements; and
- c) Details pertaining to unauthorised, irregular, fruitless and wasteful expenditure must be disclosed in the Municipality's Annual Report.

10 MAINTAINING OF REGISTER FOR UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

10.1. Council must maintain a register of all incidents of unauthorised, irregular, fruitless and wasteful expenditure:

10.2. The registers must be updated on a monthly basis.

11 INVESTIGATION OF UNAUTHORISED AND IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

11.1. MPAC must institute an investigation of all prohibited expenditure reported in terms of clause 9.1. (d), above

12.3. The MPAC, mayor or municipal manager or delegated officials (as may be relevant) must promptly report to the SAPS all cases of alleged:

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

12.4. The Mayor must take all reasonable steps to ensure that all cases referred to in the above paragraph are reported to the South African Police Service if:

- a) The charge is against the MM; or
- b) The MM fails to comply with the above paragraph.

13 RECOVERY UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

13.1. The MM or delegated person must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure:

- a) in the case of unauthorised expenditure, is
 - I. authorised in an adjustment budget; OR
 - II. certified by the municipal council, after investigation by MPAC, as irrecoverable and is written off by council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is after investigation by MPAC, certified by council as irrecoverable and written off by council.

13.2. Irregular expenditures resulting from breaches of the Public Office-Bearers Act must be recovered from the Councillor to whom it was paid.

13.3. Once it has been established who is liable for the unauthorised, irregular, fruitless and wasteful expenditure, the Municipal Manager must in writing request that the liable Councillor or official pay the amount within 30 days or in reasonable instalments.

13.4. Without limiting liability in terms of the common law or other legislation, the MM must recover any such expenditure, in full, from official or Councillor where:

- a) In the case of a Councillor, the Councillor knowingly or after having been advised by the MM that the expenditure is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, instructed an official of NDM to incur the expenditure; and

16 EFFECTIVE DATE

This policy will be effective upon adoption by Council.

17 REVIEW OF POLICY

This policy must be reviewed and updated:

- a) Annually in line with the budget cycle and submitted with the budget policies; or
- b) Sooner if new legislation, regulation or circulars are issued that will impact this policy.

18 Policy hierarchy

Wherever this policy is not aligned to the cost containment regulation, the cost containment regulation will supersede this policy

VICTOR KHANYE LOCAL MUNICIPALITY

AMENDMENT OF TARIFFS

It is hereby notified that in terms of the provision of Section 24(2) of the Municipal Finance Management Act, no 56 of 2003 and Sections 74 and 75A of the Local Government: Municipal Systems Act, no 32 of 2000, as amended, the Victor Khanye Local Municipality has by resolution determined, adopted and approved the following taxes, levies, tariffs and other charges as set out in the various schedules relating to the under-mentioned By-Laws with effect from 1 July 2020 to constitute the Tariff Structure of the Victor Khanye Local Municipality for the 2024/2025 financial year.

- 1 Cemetery
- 2 Library
- 3 Fire Brigade Services
- 4 Assessment Rates
- 5 Electricity
- 6 Poster, Advertisement and Banners
- 7 Sewer and Plumbing
- 8 Halls
- 9 Sanitary and Refuse Removal
- 10 Furnishing of Information and Issuing of Certificates
- 11 Water
- 12 Standard Building Regulations
- 13 Street Projections
- 14 Trees: Removal and/or Killing of
- 15 Issuing of Business Licenses
- 16 Flat Rate
- 17 Traffic Services
- 18 SPLUMA
- 19 Rentals
- 20 Air Quality

		<u>TARIFF</u>	
		<u>2024/2025</u>	<u>2025/26</u>
<u>CEMETERY</u>			
Botleng ext 4 (Ziphumulele)	local residents (BOTLENG) Cemetery		
8 foot all types of coffins	Adult	2 500.00	2 538.00
Pensions over 60 years and above		1 000.00	1 015.00
	INDIGENTS		
Indigent	Adult	250.00	254.00
	Child	200.00	203.00
Pauper		200.00	203.00
Delmas Town & Sundra Cemeteries Local Residents			
		-	
		-	
		-	
All type of coffins	Adult Single internment in	5 000.00	5 075.00
		-	
	closure after hrs,weekend	7 000.00	7 105.00
	Re-opening & Closure nor	2 000.00	2 030.00

ITEM	TARIFF	
	2024/2025	2025/26
2 LIBRARY		
2.1 MEMBERSHIP FEES		
2.1.1 Residents of Delmas municipal area	50.00	50.00
2.1.2 Non-residents of Delmas municipal area	50.00	50.00
2.1.3 Re-issue of membership cards (per card)	30.00	30.00
2.1.4 Pensioners of Delmas municipal area	0.00	0.00
2.2 PHOTOCOPIES, FAXES AND INTERNET FEES		
2.2.1 Photo copies: A4 – General public	2.00	2.00
2.2.2 Photo copies: A4 – School reference works (Students)	1.00	1.00
2.2.3 Photo copies: A4 – Persons registered on the indigent register (proof)	0.00	0.00
2.2.4 Photo copies: A3 – General public	2.00	2.00
2.2.5 Faxes: Per A4 page (Sending)	2.00	Remove
2.2.6 Faxes: Per A4 page (Receive)	2.00	Remove
2.2.7 Internet: First half hour or part thereof	0.00	0.00
2.2.8 Internet: Per hour (or part thereof) after the first half hour	0.00	0.00
2.2.9 E-mail usage: Per each 15 min or part thereof	0.00	0.00
2.2.10 E-mail usage: Printing of e-mails (per A4 page)	0.00	0.00
2.2.11 Use of a computer: Per hour or part thereof	0.00	0.00
2.2.12 Use of a printer: Per A4 page (Black)	2.00	2.00
2.2.13 Use of a printer: Per A4 page (Colour)	2.00	2.00
2.2.14 Use of a printer: Per A4 page (Black) Persons registered on the indigent register (proof)	0.00	0.00
2.2.15 Use of a printer: Per A4 page (Colour) Persons registered on the indigent register (proof)	0.00	0.00
2.3 PENALTY FEES FOR LATE RETURNING OF ITEM		
	0.00	
	0.00	
2.3.1 Reference literature (per item per week or part thereof)	10.00	10.00
2.3.2 Other literature (per item per week or part thereof)	10.00	10.00
2.4 INFORMATION BORCHURE		
	0.00	Remove
	0.00	Remove
2.4.1 Brochure per copy	0.00	Remove

ITEM

3 FIRE BRIGADE SERVICES

TARIFF
2024/2025 2025/2026

3.1 SERVICES RENDERED WITHIN THE MUNICIPAL BOUNDARIES

3.1.1	FIRST VEHICLE		
	i. Basic call out fee inclusive of first hour or part thereof within 15km radius	3 100.00	3 400.00
	ii. Thereafter per hour or part thereof	2 100.00	2 200.00
	iii. Per km further than radius of 15km	40.00	40.00
3.1.2	SECOND AND ENSUING VEHICLES		
	i. Per vehicle per hour or part thereof	650.00	700.00
	ii. Per km further than radius of 15km	40.00	40.00
3.1.3	SPECIAL SERVICES INCLUDING MOTOR VEHICLE ACCIDENTS		
	i. Within radius of 15km per hour	1 350.00	1 450.00
	ii. Per km further than 15km radius	40.00	40.00
3.1.4	ASSISTANCE WITH PREPARATION OF FIRE BELTS		
	i. Not a registered member of the Fire Protection Association	1 850.00	1 850.00
	ii. Registered and paid-up member of the Fire Protection Association	No Charge	No Charge
3.1.5	CONSUMABLE ITEMS	Cost of replacement +10 %	Cost of

3.2 SERVICES RENDERED OUTSIDE THE MUNICIPAL BOUNDARIES

3.2.1	FIRST VEHICLE		
	i. Basic call out fee inclusive of first hour or part thereof within 15km radius	4 900.00	5 500.00
	ii. Thereafter per hour or part thereof	2 250.00	2 500.00
	iii. Per km further than radius of 15km	40.00	40.00
3.2.2	SECOND AND ENSUING VEHICLES		
	i. Per vehicle per hour or part thereof	950.00	1 200.00
	ii. Per km further than radius of 15km	40.00	40.00
3.2.3	SPECIAL SERVICES INCLUDING MOTOR VEHICLE ACCIDENTS		
	i. Within radius of 15km per hour	1 750.00	1 900.00
	ii. Per km further than 15km radius	40.00	40.00
3.1.4	CONSUMABLE ITEMS	Cost of replacement + 10%	Cost of replacement + 10%

**3.3 FEES FOR THE ISSUANCE OF FLAMMABLE LIQUID CERTIFICATES OF REGISTRATION AND/OR SPRAYING PERMITS
(Section 10 of the FIRE BRIGADE SERVICES ACT, 1987, NR.99 OF 1987)**

	(Annual payment)	
3.3.1.1	Facilities having flammable liquids of quantities up to 83 000 liters	900
3.3.1.2	Facilities having flammable liquids of quantities 83 001 - 200 000 liters	1500
3.3.1.3	Facilities having flammable liquids of quantities above 200 001 liters	3300
3.3.2	Spray room/booth permit	900
3.3.3	Major Hazardous installations	3300
3.3.3.1	Storage, use and/or handling of flammable gas (LPG, etc) up to 500 Kg	900
3.3.3.2	Storage, use and/or handling of flammable gas (LPG, etc) 501 - 2250 Kg	1500
3.3.3.3	Storage, use and/or handling of flammable gas (LPG, etc) above 2251 Kg	3300
3.3.4.1	Transportation of Dangerous Goods and/or Hazardous Substances permit (All goods vehicles)	1000
3.3.4.2	Truck Tractors used for Dangerous or Flammable Substances	550
3.3.4.3	BULK Company applications - Flammable/Dangerous substances above 500 applications per year	450
3.3.5	Temporary Registration - Storage of Flammable/Dangerous Substances	500

3.3.1	Bulk depot / Fuel Station Registration	3 300.00
3.3.2	Spraying room permit	900.00
3.3.3	Storage of flammable liquids (Consumer / All non-bulk)	900.00
3.3.4	Storage and/or use of liquid petroleum gas (Non-bulk (below 500Kg))	900.00
3.3.5	Transport permit: flammable liquids Product-carrying vehicle/trailers	900.00
3.3.6	Truck tractors used for Dangerous Substance Transportation	500.00
3.3.7	Temporary Registration - Storage Flammable/Dangerous Goods	500.00
3.3.8	Bulk Applications for Dangerous goods transport permit (Above 500 vehicle)	350.00

**3.4 FEES FOR GENERAL ADMINISTRATION AND FIRE SAFETY SERVICES
(Fire Brigade Services By-Laws (Gov Gaz 3145, 27 March 2020))**

3.4.1	Application for furnishing copies of information related to incidents (Sect4(2))	120.00	200
3.4.2	Certificate of Fitness for building - Gatherings/Events (Sect. 20(1))	170.00	200
3.4.3	Application fee for approval for public Fireworks Display (Sect 23(11))	200.00	400
3.4.4	Re-inspection of premises after non-compliance notice issued	250.00	300
			400

<u>ITEM</u>		<u>Ratios</u>	<u>TARIFF</u>	
4 <u>ASSESSMENT RATES</u>			<u>2024/2025</u>	<u>2025/2026</u>
4.1	Business and Commercial	1::2,8	0.04104	0.04104
4.2	state owned	1::2	0.29404	0.29404
4.3	PSI	1::0,25	0.003676	0.00368
4.4	Agricultural	1::025	0.00350	0.00350
4.5	Industrial	1::2	0.29404	0.29404
4.6	Mining	1::4	0.05880	0.05880
4.7	Public benefits organisation	1::0,25	0.003676	0.00368
4.8	Vacant	1::7,5	0.11027	0.11027
4.9	Residential	1::1	0.01470	0.01470

5 ELECTRICITY

5.1 DOMESTIC CONSUMERS

5.1.1 This tariff shall apply to the following:

- 5.1.1.1 Private dwellings;
- 5.1.1.2 Boarding-houses or hotels, excluding licensed in terms of the Liquor Act;
- 5.1.1.3 Flats;
- 5.1.1.4 0

0

If the demand of this type of consumer is too large to be classified under this tariff, such consumer shall be charged the lowest tariff in terms of item 5.1.3;

- 5.1.1.5 Homes run by charitable institutions;
- 5.1.1.6 Educational institutions and hostels;

If the demand of this type of consumer is too large to be classified under this tariff, such consumer shall be charged the lowest tariff in terms of item 5.1.3;

- 5.1.1.7 Clubs, excluding clubs licensed in terms of the Liquor Act;
- 5.1.1.8 Churches and church halls used exclusively for public worship;
- 5.1.1.9 Pumping installations where the water pumped is exclusively used for domestic purposes on premises received supply in terms of this item;
- 5.1.1.10 A building or separate part of a building exclusively used for residential purposes; and
- 5.1.1.11 Farms for domestic and farming purposes.

5.1.2 The tariffs shall be charged in accordance with the NERSA approved tariffs as per the following categories:

5.1.2.1 Domestic Pre-Paid

Block 1	0 – 50kWh	(c/kWh)
Block 2	51 – 350kWh	(c/kWh)
Block 3	351 – 600kWh	(c/kWh)
Block 4	>600kWh	(c/kWh)

As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

5.1.2.2 Domestic Conventional

Basic charge (R/month)		
Block 1	0 – 50kWh	(c/kWh)
Block 2	51 – 350kWh	(c/kWh)
Block 3	351 – 600kWh	(c/kWh)
Block 4	>600kWh	(c/kWh)

As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

- 5.1.3 A consumer shall apply, in writing for the type of supply, which he requires in terms of sub item (5.1.1). It remains the option of Council to classify such consumer according to his demand or consumption or both. The minimum period for which metering equipment for any type of supply will be installed shall be 12 months. No charge to the metering equipment in order to change to a different tariff shall be permitted within the first 12 months after taking into use any specific tariff, except on payment of a charge to cover the cost of the change of the metering equipment. Such cost shall be determined by the Engineering Services.

- 5.1.4 As from 1 July 2020 free basic electricity of 50 kWh per month to be implemented only to indigent debtors on Pre-paid meters within the municipal area.

5.1.5

5.2 COMMERCIAL, INDUSTRIAL AND GENERAL CONSUMERS

5.2.1 This tariff shall be applicable to electricity supplied at low tension within the municipal proclaimed township to the following consumers:

- 5.2.1.1 Shops;
- 5.2.1.2 Commercial houses;
- 5.2.1.3 Office buildings;
- 5.2.1.4 Hotels licensed in terms of the Liquor Act;
- 5.2.1.5 Bars;
- 5.2.1.6 Cakes, tearooms and restaurants;
- 5.2.1.7 Combined shops and tearooms;
- 5.2.1.8 Public halls;
- 5.2.1.9 Clubs licensed in terms of the Liquor Act;
- 5.2.1.10 Industrial or manufacturing concerns;
- 5.2.1.11 Buildings or parts of building containing a number of the classifications under (5.2.1.1) to (5.2.1.10) and where the consumption in terms of this tariff is metered separately by Council; and
- 5.2.1.12 All other consumers, excluding those specified under other items.

5.2.2 The tariffs shall be charged in accordance with the NERSA approved tariffs as per the following categories:

5.2.2.1 Conventional Single Phase 70 A

GROUP TYPE OF SUPPLY

- (a) Basic charge R/month
- (b) Energy charge Unit charge c/kWh

FIXED CHARGE UNIT CHARGE
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

5.2.2.2 Conventional Low

GROUP TYPE OF SUPPLY

- (a) Basic charge R/month
- (b) Energy charge Unit charge c/kWh
- (c) Demand charge R/month

FIXED CHARGE UNIT CHARGE
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

5.2.2.3 Industrial medium

GROUP TYPE OF SUPPLY

- (a) Basic charge R/month
- (b) Energy charge Unit charge c/kWh
- (c) Demand charge R/month

FIXED CHARGE UNIT CHARGE
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

5.2.2.4 Non Standard Tariffs

GROUP TYPE OF SUPPLY

- (a) Basic charge R/month
- (b) Energy charge Unit charge c/kWh

FIXED CHARGE UNIT CHARGE
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

5.2.2.5 Departmental usage

GROUP TYPE OF

- (a) Energy charge Unit charge c/kWh

FIXED CHARGE FIXED CHARGE UNIT CHARGE
As approved by NERSA. As approved by NERSA
As approved by NERSA. As approved by NERSA

A consumer shall apply, in writing for the type of supply, which he requires in terms of sub item (5.2.2). It remains the option of Council to classify such consumer according to his demand or consumption or both. The minimum period for which metering equipment for any type of supply will be installed shall be 12 months. No charge to the metering equipment in order to change to a different tariff shall be permitted within the first 12 months after taking into use any specific tariff, except on payment of a charge to cover the cost of the change of the metering equipment. Such costs shall be determined by the Technical Services.

5.3 BULK CONSUMERS

- 5.3.1 Council reserves the right to connect consumers with an estimated load of more than 40 KVA as bulk consumers, either by means of low tension or high tension.

5.3.2 The tariffs shall be charged in accordance with the NERSA approved tariffs as per the following categories:

5.3.2.1 Industrial medium

GROUP	TYPE OF SUPPLY		FIXED CHARGE	FIXED CHARGE	UNIT CHARGE
(a)	Basic charge	R/month	As approved by NERSA	As approved by NERSA	
(b)	Energy charge	Unit charge c/kWh	As approved by NERSA	As approved by NERSA	
(c)	Demand charge	R/month	As approved by NERSA	As approved by NERSA	
5.3.2.2	Bulk consumers connected to low voltage:				
5.3.2.2.1	A fixed charge: plus		As approved by NERSA	As approved by NERSA	
5.3.2.2.2	A maximum demand charge of – per KVA per month, metered over a period of 30 minutes by means of a KVA meter		As approved by NERSA	As approved by NERSA	
5.3.2.2.3	Per unit consumed (c/kWh)		As approved by NERSA	As approved by NERSA	
5.3.2.3	Bulk consumers connected to high voltage:				
5.3.2.3.1	A fixed charge: plus		As approved by NERSA	As approved by NERSA	
5.3.2.3.2	A maximum demand charge of – per KVA, per month, metered over a period of 30 minutes by means of a KVA meter		As approved by NERSA	As approved by NERSA	
5.3.2.3.3	Per unit consumed (c/kWh)		As approved by NERSA	As approved by NERSA	
5.3.3	The following deposits will be applicable:				
5.3.3.1	Low voltage:				
	single phase	9 000.00			
	Three phase	13 000.00			
	0 – 199 KVA	32 000.00			
		-			
5.3.3.2	High voltage:				
	200 – 499 KVA	40 000.00			
	> 500 KVA	52 000.00			
5.3.3.3	House Hold Consumer Conventional Meter - Delmas	1 500.00			
	House Hold Consumer Pre-paid Meter - Delmas	800.00			
	House Hold Consumer Bolleng/Eloff/Sundra	550.00			

5.3.4 Should a bulk consumer fall within another category than the bulk consumer category, the consumer shall be charged in accordance with a NERSA approved tariff

5.4 TAMPERING WITH ELECTRICAL INSTALLATIONS/METERS

If it is found in the opinion of the Director Technical Services or his nominee that there was tampered with any municipal electricity installation or electricity meter to bridge the metering of consumption or to effect the metering of consumption in any way, the electricity supply to that property will be discontinued until the following municipal levy is paid by the consumer benefiting from such illegal tampering:

			OPI increase	Proposed tariff increase
5.4.1	Residential consumers:			
5.4.1.1	First Tamper	8 000.00	256.00	5 256
5.4.1.2	Second Tamper	12 000.00	384.00	12 384
5.4.1.3	Third Tamper	20 000.00	640.00	20 640
5.4.2	Business consumers:			
5.4.2.1	First Tamper	22 000.00	704.00	22 704
5.4.2.2	Second Tamper	26 000.00	832.00	26 832
5.4.2.3	Third Tamper	46 000.00	1 472.00	47 472

In respect of tampered meters, additional costs will be charged/debited to compensate for loss of revenue into the of average units of number of months not purchased. The below listed average number of units per month will be applicable:

RDP houses - average of	150 units per month	150 units per mo	150 units per month
Other residential household - average of	650 units per month	650 units per mo	650 units per month
Businesses - average of	1,200 units per month	1,200 units per m	1,200 units per month

5.5 OTHER CHARGES

Call out charges after hours (if fault within consumer boundary) per call	1 200.00
Final Notice Out offs	100.00
Reconnection Fee	1 200.00
Installation of pre-paid meter	3 500.00
Testing of electricity meters - single phase	350.00
- three phase	1 000.00

ITEM

NEW STRUCTURE FOR 2023/2024 FINANCIAL YEAR IN LINE WITH MUNICIPAL BY-LAWS

6 ITEM	UNIT	TARIFF	
		2024/2025	2025/2026
6.1 Non-locality bound signs:			
6.1.1 Billboards:			
6.1.2 Gantry signs:			
6.1.3 Flat signs: Non-locality bound:			
a) Application fee			
b) Approval fee			
6.1.4 Advertising signs at educational facilities and spor	Per application	R980.00	1 011.36
6.1.5 Advertising signs on boundary walls and fences:	Per m2/ face	R120.00	123.84
Non-locality bound			
6.1.6 Construction site boundary signs:			
a) Application fee			
b) Approval fee			
	Per Application	R500.00	516.00
	Per m2 / face	R80.00	82.56
6.2.0 Locality-bound signs:			
6.2.1 7.Roof signs	Per Application	R565.00	583.08
6.2.2 8.Flat signs: Locality bound	Per Application	R565.00	583.08
6.2.3 9.Service facility signs	Per Application	R565.00	583.08
6.2.4 10.On-premises business signs	Per Application	R565.00	583.08
6.2.5 11.Advertising on boundary walls and fences: Loc	Per Application	R565.00	#VALUE!
6.2.6 12.Project and development signs	Per Application		
6.2.7	Per Application	R565.00	583.08
6.3.0 Temporary/Small signs			
7.3.1 13.Advertisement for the sale of goods and livest	Per Sign	R164.00	169.25
7.3.2 14.Banners			
7.3.4 15.Posters: Category One: Events	Per Banner	R110.00	113.52
7.3.5 16.Posters: Category Three: Newspaper	Per Event/50poster	R110.00	113.52
7.3.6 17.Posters: Category Four: Community	Per Frame/Annum	R50.00	51.60
7.3.7	Per 50 poster	R100.00	#VALUE!
7.4.0 Annual Licensing Fee			
7.4.1 18.Estate agent signs	Per Agency/Annum	R565.00	583.08
7.4.2 19.Flags	Per Business/ Annum	R565.00	583.08
7.5.0 Contracts with LM:			
7.5.1 20.Poster: Category Two: Commercial			
7.5.2 21.Advertisements on litter bins			
7.5.3 22.Advertisements on public transport shelters			
7.5.4 23.Stack signs			
7.5.5 24.Street name signs	Rate as per Tender	ate as per Tender	#VALUE!
7.5.6 25.Surburb name signs			
7.6.0 Exempted from Application Fee			
7.6.1 26.Projecting signs			
7.6.2 27.Painted advertisement			
7.6.3 28.Security advertising signs			
7.6.4 29.Balcony, veranda, canopy and under-awning signs			
7.6.5 30.Residential home-undertaking, farm names and community institution signs			
7.6.6 31.Vehicular advertising			
7.6.7 32.Portable or forecourt signs			
7.6.8 33.Banners for parliamentary or municipal elections, by-elections, referenda and registration process			
7.6.9 34.Posters: Category Five: Elections			
7.6.10 Removal and Storage Fee:			
7.6.11 35. For any illegal sign removed by the LM	Per m2 or part thereof	R150.00	154.80
7.6.12 Monthly fees for leasing of municipal property for	Per face		tising on the sign

ITEM		TARIFF
7 SEWER AND PLUMBING ORDINANCE		2024/2025
7 PLUMBING		
7.1.1	Sealing of openings per connection	2 112.71
7.1.2	Opening of drains:	
7.1.2.1	Week days in normal working hours:	
	i. For the first hour or part thereof	1 300.92
	ii. For every hour or part thereof	845.44
7.1.2.2	0	
	1818.16301	1 735.52
	ii. For every hour or part thereof thereafter	1 156.93
7.1.2.3	SUNDAYS AND PUBLIC HOLIDAYS:	
	i. For the first hour or part thereof after the work has begun	2 605.82
	ii. For every hour or part thereof thereafter	1 737.21
7.2 Fees per connection		
7.2.1	Residential: Delmas/Botleng (per connection)	126.55
7.2.2	Other Institutions, businesses and industrial (per	126.55
7.3 Basic charge		
7.3.1	Residential	
7.3.1.1	Stand < 400m ²	364.13
7.3.1.2	Stand > 400m ² but < 800m ²	364.13
7.3.1.3	Stand > 801m ² but < 1600m ²	364.13
7.3.1.4	Stand > 1601m ²	364.13
		89.50
7.3.2	Business	
7.3.2.1	Stand 1m ² < 800m ²	445.49
7.3.2.2	Stand 801m ² – 1600m ²	445.49
7.3.2.3	Stand > 1601m ²	445.49
		110.00
7.3.3	Other	
7.3.3.1	McCaib outflow - per 10 kiloliter water used	90.51
7.4 SECOND DWELLINGS		
On residential properties where a second dwelling is erected, an additional levy equal to tariff in respect of the first dwelling will be levied.		
On a business zoned property where more than one business are operating from, an applicable business sewerage tariff, will be levied for each additional business operated		
7.5 SEWERAGE VACUUM TANKER SERVICES		
7.5.1	Basic charges	
7.5.1.1	<u>Delmas</u>	
	i. For the first 10kl or part thereof per removal	420.00
	ii. Thereafter per kl or part thereof	92.41
7.5.1.2	<u>Leeupoort AH south of road no 5</u>	
	i. For the first 10kl or part thereof per removal	420.00
	ii. Thereafter per kl or part thereof	92.41
7.5.1.3	<u>Leeupoort AH north of road no 5</u>	
	i. For the first 10kl or part thereof per removal	630.00
	ii. Thereafter per kl or part thereof	92.41
7.5.1.4	<u>Eloff Township and Eloff AH north of railway line</u>	
	i. For the first 10kl or part thereof per removal	630.00
	ii. Thereafter per kl or part thereof	123.15
7.5.1.6	<u>Eloff Township and Eloff AH south of railway line</u>	
	i. For the first 10kl or part thereof per removal	682.50

<u>ITEM</u>		<u>TARIFF</u> <u>2024/2025</u>
	ii. Thereafter per kl or part thereof	123.16
7.5.1.6	<u>Sundale AH</u>	
	i. For the first 10kl or part thereof per removal	682.50
	ii. Thereafter per kl or part thereof	215.56
7.5.1.7	<u>Springs AH</u>	
	i. For the first 10kl or part thereof per removal	682.50
	ii. Thereafter per kl or part thereof	215.56
7.5.1.8	<u>Sundra AH</u>	
	i. For the first 10kl or part thereof per removal	682.50
	ii. Thereafter per kl or part thereof	215.56
7.5.1.9	<u>Rietkol AH</u>	
	i. For the first 10kl or part thereof per removal	682.50
	ii. Thereafter per kl or part thereof	215.56
7.5.1.10	<u>Rietkol AH north of N12</u>	
	i. For the first 10kl or part thereof per removal	735.00
	ii. Thereafter per kl or part thereof	
7.5.1.11	<u>Boteng south of aerodrome (erf 1202)</u>	
	i. For the first 10kl or part thereof per removal	420.00
	ii. Thereafter per kl or part thereof	92.41
7.5.1.12	<u>Boteng north of aerodrome (erf 1202)</u>	
	i. For the first 10kl or part thereof per removal	420.00
	ii. Thereafter per kl or part thereof	92.41
7.5.1.13	<u>Schoeman Farming</u>	
	i. For the first 10kl or part thereof per removal	
	ii. Thereafter per kl or part thereof	
7.5.1.14	<u>Daybreak Farms</u>	
	i. For the first 10kl or part thereof per removal	2 100.00
	ii. Thereafter per kl or part thereof	225.75
7.5.1.15	<u>Khanhym (Welgedacht)</u>	
	i. For the first 10kl or part thereof per removal	2 100.00
	ii. Thereafter per kl or part thereof	225.75
7.5.1.16	<u>TPA weigh bridge</u>	
	i. For the first 10kl or part thereof per removal	630.00
	ii. Thereafter per kl or part thereof	92.41
7.5.1.17	<u>Sundra High School</u>	
	i. For the first 10kl or part thereof per removal	840.00
	ii. Thereafter per kl or part thereof	201.63
7.5.1.18	<u>Sundra Primary School and Kosmos Old Age Centre</u>	
	i. For the first 10kl or part thereof per removal	840.00
	ii. Thereafter per kl or part thereof	201.63
7.5.1.19	<u>Eloff Primary School</u>	
	i. For the first 10kl or part thereof per removal	630.00
	ii. Thereafter per kl or part thereof	114.80
7.5.1.20	<u>Rietkol Primary School</u>	
	i. For the first 10kl or part thereof per removal	840.00
	ii. Thereafter per kl or part thereof	123.16
7.5.1.21	Discharging Sewerage waste at the Sewer Plant	735.00
	Thereafter per kl or part thereof	92.41
7.5.1.22	Discharging Sewerage waste at the Sewer Plant 5kl to 10kl	630.00
7.5.1.23	Discharging Sewerage waste at the Sewer Plant (less than 5kl)	630.00
7.5.1.24	Discharging Sewerage waste at the Sewer Plant Industrial	3 150.00

8 HALLS AND OPEN AREAS

8.1 DEPOSITS

		<u>TARIFF CLASSIFICATION</u>	<u>OPEN AREAS</u>	<u>ELOFF</u>	<u>F C DUMAT</u>	<u>SINETHEMB A HALL</u>	<u>SPORT CENTRE</u>	<u>BOTLENG X3</u>
			<u>2024/2025</u>	<u>2024/2025</u>	<u>2024/2025</u>	<u>2024/2025</u>	<u>2024/2025</u>	<u>2024/2025</u>
367.15	8.1.1	Deposit	1 050.00	1 470.00	2 300.00	1 050.00	1 050.00	1 050.00

8.2 RENTAL

TARIFF CLASSIFICATION							
8.2.1	Meetings	0.00	1 050.00	580.00	580.00	580.00	470.00
8.2.2	Religion/Welfare organizations	0.00	470.00	470.00	1 570.00	1 050.00	1 050.00
8.2.3	Functions	0.00	1 730.00	1 170.00	1 570.00	2 000.00	1 570.00
8.2.4	Preparation of a hall	0.00	370.00	370.00	530.00	530.00	530.00
8.2.5	General use (Open areas)	R1.0 per m² per day (minimum rental of R3000.00 per day)					

DEPOSITS

<u>TARIFF CLASSIFICATION</u>		<u>OPEN AREAS</u>	<u>ELOFF</u>	<u>F C DUMAT</u>	<u>SINETHEMB A HALL</u>	<u>SPORT CENTRE</u>	<u>BOTLENG X3</u>
8.1.1	Deposit	<u>2025/2026</u> 1 050.00	<u>2025/2026</u> 1 470.00	<u>2025/2026</u> 2 300.00	<u>2025/2026</u> 1 050.00	<u>2025/2026</u> 1 050.00	<u>2025/2026</u> 1 050.00

RENTAL

TARIFF CLASSIFICATION							
8.2.1	Meetings	0.00	1 050.00	580.00	580.00	580.00	470.00
8.2.2	Religion/Welfare organizations	0.00	470.00	470.00	570.00	1 050.00	500.00
8.2.3	Functions	0.00	1 730.00	1 170.00	1 570.00	2 000.00	1 570.00
8.2.4	Preparation of a hall	0.00	370.00	370.00	350.00	350.00	350.00
8.2.5	General use (Open areas)	R1.0 per m² per day (minimum rental of R3000.00 per day)					

ITEM		TARIFF 2024/2025	TARIFF 2025/2026
9 SANITARY AND REFUSE REMOVAL			
9.1 REFUSE REMOVAL			
9.1.1 Removals (once a week)			
9.1.1.1	per Households, per churches, per unit in the flat	360.00	371.52
9.1.1.2	Business once a week	620.00	639.84
9.1.1.3	Dumping site disposal by agreement per household		
9.1.1.4	Business removal more than once a week	1 530.00	1 578.96
9.1.2 Other removals			
9.1.2.1	Mass container: Once per week (per month)		
9.1.2.2	Mass container: Twice per week (per month)	6 300.00	6 501.60
9.1.2.3	Mass container: Three times per week (per month)	8 400.00	8 668.80
9.1.2.4	Mass container - Large: Once per week (per month)	6 300.00	6 501.60
9.1.2.5	Mass container - Large: Twice per week (per month)	8 400.00	8 668.80
9.1.2.6	Mass container - Large: Three times per week (per month)	10 510.00	10 846.32
9.1.2.7	Business: 80 liter per day twice per week	870.00	897.84
9.1.2.8	Once off: Drop and remove	1 480.00	1 506.72
9.2 CLEANING OF STANDS ON REQUEST			
		2 737.89	2 825.50
9.2.1	First 1500m ² or part thereof	2 740.00	2 827.68
9.2.2	There-after for each 100m ² or part	390.00	402.48
9.2.3	Garden disposal per m ³ or part thereof	790.00	815.28
9.2.4	Building rubble per m ³ or part thereof	2 345.00	2 420.04
9.2.5	Schools / Educational Institutions	2 890.00	2 982.47
9.3 ANNIHILATION			
ITEM			
9.3.1	Per animal	770.84	795.50
9.4 REMOVAL AND DISPOSAL OF CARCASSES			
ITEM			
9.4.1	Carcasses of which the mass per carcass		
i.	Cat and dog per carcass or part	384.72	397.03
	Cat and dog per carcass or part	31.27	32.27
ii.	Sheep and pig carcass or part thereof	655.29	676.26
	Sheep and pig carcass or part thereof	29.81	30.76
iii.	Mule, donkey, horse and cattle per	2 035.08	2 100.18
	Mule, donkey, horse and cattle per	29.37	30.31
9.4.2	Carcasses of which the mass per carcass		
i.	Pig per carcass or part thereof	2 192.41	2 262.57
	Pig per carcass or part thereof - per	0.00	
ii.	Mule, donkey, horse and cattle per	2 192.41	2 262.57
	Mule, donkey, horse and cattle per	53.17	54.88
9.5 DRIED SLUDGE			
9.5.1	Selling of dried sludge (own transport)	199.31	205.69
9.6 WASTE MANAGEMENT BY-LAWS TARRIFS FOR FINES			
9.6.1	As per the promulgated by-law tariff		
9.7 TARIFF FOR BUSINESS TO DUMP AT THE LANDFILL SITE			
		2 100.00	
9.7.1	Vehicles (0-1000)	3 670.00	
	Vehicles (1001-5000)	4 720.00	
	Vehicles (5001 >		
9.8 WASTE MANAGEMENT PERMITS/AUTHORISATION			
9.8.1	General Waste Transportation Permit	1 500.00	
9.8.2	General Waste Handling Permit	250.00	
9.8.3	Disposal of Condemned Food Stuff		
	(0-1000kg)	500.00	
	(1001-5000kg)	1 000.00	
	(5001 > kg)	1 500.00	

ITEM	TARIFF	
	2024/2025	2025/2026
10 FURNISHING OF INFORMATION AND ISSUING OF CERTIFICATES		
10.1 Valuation certificate	340.00	350.88
10.2 Clearance certificate	140.00	144.48
10.3 Furnishing of clearance certificate information	1 000.00	1 032.00
10.4 Copies of voter's roll per ward	1 390.00	1 434.48
10.5 Copies of Council meeting minutes per resolution or part thereof	140.00	144.48
10.6 Inspection of an approved building plan excluding plan in respect of residential properties	320.00	330.24
10.7 Furnishing of information – computer printout per page or part thereof	50.00	51.60
10.8 Photo copies size A4 (per page)	2.00	2.06
10.9 Photo copies size A3 (per page)	10.00	10.32
10.1 Fax size A4 (per page)	50.00	51.60
10.11 Copy paper size A0 1189 x 841 (per page)	110.00	113.52
10.12 Copy paper size A1 841 x 595 (per page)	110.00	113.52
10.13 Copy paper size A2 and smaller 595 x 421 (per page)	90.00	92.88
10.14 Durester film size A0 1189 x 841 (per page)	820.00	846.24
10.15 Durester film size A1 841 x 595 (per page)	480.00	495.36
10.16 Durester film size A2 and smaller 595 x 421 (per page)	380.00	392.16
10.17 Translucent film size A0 (0.05mm) 1189 x 841 (per page)	760.00	784.32
10.18 Translucent film size A1 (0.05mm) 841 x 595 (per page)	500.00	516.00
10.19 Translucent film size A2 and smaller (0.05mm) 595 x 421 (per page)	360.00	371.52
10.2 Zoning certificate	340.00	350.88
10.21 Copy of valuation roll	4 440.00	4 582.08
10.22 Deeds office enquiry	260.00	268.32
10.23 Tender documents: Non-refundable deposit	940.00	970.08
10.24 Tender documents : seven days quote non -refundable	190.00	196.08
10.25 Furnishing of information/data in any other format as that contained in items		
10.26 Parking	10.00	10.32

ITEM	TARIFF 2024/2025	TARIFF 2024/2025
11 WATER		
11.1 BASIC CHARGES		
11.1.1 Residential		
11.1.1.1 Vacant stands	438.81	452.85
11.1.1.2 Flats	139.82	139.82
11.1.1.3 Stands	315.81	315.81
11.1.1.4 Day Break Farms	997.30	1 029.21

11.2 CONSUMPTION

11.2.1 Residential

11.2.1.1 Delmas: tariff	(0 – 5kl)	19.84
11.2.1.2 Delmas: tariff	(7 – 12kl)	35.82
11.2.1.3 Delmas: tariff	(13 – 20kl)	48.80
11.2.1.4 Delmas: tariff	(> 27kl)	48.78
11.2.1.5 Soleng: tariff	(0 – 5kl)	17.47
11.2.1.6 Soleng: tariff	(7 – 12kl)	35.82
11.2.1.7 Soleng: tariff	(13 – 20kl)	48.60
11.2.1.8 Soleng: tariff	(> 27kl)	48.78
11.2.1.9 Sundra/Eloff: tariff	(0 – 5kl)	19.84
11.2.1.10 Sundra/Eloff: tariff	(7 – 12kl)	35.82
11.2.1.11 Sundra/Eloff: tariff	(13 – 20kl)	48.60
11.2.1.12 Sundra/Eloff: tariff	(> 27kl)	48.78
11.2.1.10 Indigents	(0kl free)	

Rand Water increase for 2025/26 is 15.3%

New Proposed structure		
Residential / flats		
	Approved tariffs - 2024/25	Proposed tariffs 2025/26
Basic Charge	315.81	325.92
0-5kl - non-indigents	19.84	17.17
7 – 12kl	35.82	37.79
13 – 20kl	48.80	48.09
> 27kl	48.78	51.98

Access to Network

115.5

11.2.2 Other institutions/businesses and industrial

Proposed 2025/26

11.2.2.1 Business: Delmas/Soleng	45.80	47.27
11.2.2.2 Business: Sundra/Eloff	45.80	47.27
11.2.2.3 McCan (Water bought direct from Council)	38.00	37.15
11.2.2.4 McCan (Water pump from own borehole i.e. agreement)	27.47	28.35
11.2.2.5 Daybreak farms	45.80	47.27
11.2.2.6 Car wash businesses	45.80	47.27
11.2.2.7 Water tank Delivery on request	Basic Transport per KL	575.00 45.80
11.2.2.8 Schools, churches and Welfare	Up to 200KL	0.00

11.3 CONNECTION FEES

11.3.1 Connection or termination on request of consumer

11.3.1.1 Water connection	840.00	840.00
11.3.1.2 Water termination	840.00	840.00
11.3.1.3 Electricity connection	840.00	840.00
11.3.1.4 Electricity termination	840.00	840.00

11.3.2 Re-connection due to non-payment

11.3.2.1 Late payment (per account)	1 280.00	1 300.32
11.3.2.2 Re-connection (per connection)	1 280.00	1 300.32
11.3.2.3 Re-connection after hours (per connection)	4 200.00	4 334.40

ITEM**TARIFF****2024/2025****14 STANDARD BUILDING REGULATIONS****14.1 SECTION 1****14.1.1 Approval of building plans**

The fees payable for each building plan submitted for consideration in terms of Regulation A2 of the National Building Regulations, as well as the issuing of an occupation certificate in terms of section 14 of said Act, is as follows:

0

Q

TARIFF

- | | | |
|------|--|--------|
| a) | The minimum fee payable for any building plan, excluding minor building defined in section 13 of the Act on National Building Regulations and building | 671.86 |
| b) | The fees payable for any building plan are calculated on the following basis:
For each 10m ² or part thereof of the building at floor level: | |
| i. | For the first 1000m ² | 239.95 |
| ii. | For the following 1000m ² of the area | 239.95 |
| iii. | For any part of the area above the first 2000m ² | 239.95 |

14.1.2 Addition to existing buildings

Fees payable for the investigation of plans, the inspection during the erection at the reconstructions on existing buildings and the issuing of an occupation certificate in accordance with the Act on National Building Regulations and Building Standards is calculated in accordance with item 14.1.1 with a minimum fee of

673.10

14.1.3 Alterations to existing buildings

Fees payable for the investigation of plans, the inspection during the erection at the reconstructions on existing buildings and the issuing of an occupation certificate in accordance with section 14 of the Act

0.2 % of the value of the alterations with a minimum fee of

673.10

14.1.4 Buildings of a special nature

Fees payable for the investigation of plans, the inspection during the erection of buildings of special nature for example fabric chimneys, tower peaks and such constructions and the issuing of an occupation certificate in accordance with the Act on National Building Regulations and Building Standards

0.2 % of the value of the alterations with a minimum fee of

673.10

14.1.5 Structural steelwork, reinforced concrete or structural carpentry

Besides the fees payable in accordance with item 14.1.1 of section 1, the following amount per 10m² is payable in respect of each new building where in structural steel work or the main construction or as carpentry parts of the building are used

148.40

14.1.6 Approval in respect of minor building work

Fees of for the written approval for the exemption of submitting plans for minor building erections according to section 13 of the Act on National Building Regulations and

673.10

14.2 SECTION 2**14.2.1 Fees for the submitting of a temporary plan and enquiries****14.2.1.1 New buildings**

The fees payable for each temporary sketch plan of the proposed building for inspection and written comments in accordance with Regulation A3 of the National Building Regulations, are calculated as follows:

ITEM**TARIFF****2024/2025**For each 10m² or part thereof, of the area of the building at floor level:

i. For the first 1000m ² of the area	159.00
ii. For the following 1000m ² of the area	159.00
iii. For any part of the area above the first 2000m ²	159.00
iv. Minimum fee payable in respect of item i. and ii.	640.24

section 1

14.2.1.2 Extension of existing buildings

Fees payable for temporary sketch plans submitted for enquiries and comments at the alterations of a building is calculated in accordance with item 14.2.1.1, section 2 with a minimum of

673.10

14.2.1.3 Alterations to existing buildings

Fees payable for temporary plans submitted for enquiries and comments at the alterations of a building, is calculated in accordance with item 14.2.1.1, section 2 with a minimum fee of

673.10

14.2.1.4 Special buildings

Fees payable for enquiries in accordance with item 14.2.1.1 section 2 is an additional fee of the following for each 10m² or part of the area at the buildings, if a temporary sketch plan is submitted for comments in respect of the method at construction of the erection of a building

148.40

14.2.1.5 Structural steelwork, reinforced concrete or structural carpentry

the following amount per 10m² is payable in respect of each new building where in structural steel work or the main construction or as carpentry parts of the building are used

148.40

14.3 SECTION 3**14.3.1 Fees payable for the approval of sewerage work plans if it is done at a building**

The fees payable for any application where the plan inspections are done in accordance with section P of the National Building Regulations, is as follows:

14.3.1.1 For each 10m² or part of that area of the building on each floor that contributes, direct or indirect to the use of the sewerage system on site per with a minimum fee of

148.40
673.10

14.3.1.2 For any application to alter on the existing sewerage system on site, excluding the erection thereof, are determined by the building inspector in accordance with section 3, item 1

14.3.1.3 Fees payable for any application to rebuild the existing sewerage system on site, are calculated in accordance with item 14.3.1.2, section 3

14.3.1.4 The disconnection of the sewerage system on site or any part thereof in accordance with Regulation P5 of the National Building Regulations

4 801.80

14.4 SECTION 4**14.4.1 Issuing of occupation certificate**

Besides the issuing of an Occupational Certificate as said in section 1, a person can on request of the owner and/or another person that has an interest in the building, apply for the issuing of a certificate and the fees are as follows:

i. Cost plus 15 %
certificate

ITEM**TARIFF****2024/2025**

iii. Fees due for the issuing of a Occupation Certificate must be payable before the submission of the certificate

iv. Minimum fee of 641.30

14.5 SECTION 5**14.5.1 Advertisement of notice fees**

14.5.1.1 Where Council gives notice for an application 25 515.00

14.5.1.2 Where Council gives notice for the approval of an amendment scheme 16 115.00

14.5.1.3 Where Council gives notice for the approval of a town 16 115.00

14.5.1.4 Where Council gives notice for the sub-division of land 16 115.00

14.5.2 Inspection/Hearing fees

14.5.2.1 Inspection and/or hearing of objections and/or appeal 25 515.00

14.5.3 Application fees, excluding advertisements, inspection and trial expenses

14.5.3.1 Application in terms of article 20(1)(B)

i. Special consent

14.5.3.2 Application in terms of article 20(1)(B)

i. Consented use

ii. Second unit

iii. Building line regulations

20 units (per ha) per unit

21 and more units (per ha) per unit

14.5.3.3 Application to amend town planning scheme (article 58(1))

i. Residential 1

ii. Other uses

iii. Application to expand boundaries of an approved township

(article 88(1)(c))

iv. Application for amendment of total or part annulment of approved

14.5.3.4 Application for sub-division of erven (article 92(1)(A))

i. 5 or less portions

ii. More than 5 portions +

per portion

iii. Application for consolidation of erven (article 92(1)(b))

iv. Application for establishment of township

v. Application for preparation of amendment scheme (article 125)

14.5.4 Notice and information signs

14.5.4.1 For the erection of notice and information signs per application

14.5.5 Rezoning for business purposes

If a person is utilizing any residential zoned property for any other purpose that is an amount to a contradiction of the approved Delmas Town Planning Scheme, 2000, such person will be:

14.5.5.1 liable for a fine to a maximum of the following amount per property as in terms of section 134 of Ordinance 15 of 1986;

14.5.5.2 liable for a fine to a maximum of the following amount per property as in terms of section 134 of Ordinance 15 of 1986; contradiction of the approved Delmas Town Planning Scheme, 2000, or apply for rezoning of such property within three months after the contradiction was revealed;

14.5.5.3

ITEM**TARIFF
2024/2025****15 STREET PROJECTIONS**

The annual sum payable in respect of each street projection in terms of section 206 of these By-Laws shall be paid to Council annually in advance at the beginning of each calendar year by the owner of the building or the projection, as the case may be, and shall be calculated as follows subject to a minimum charge of the following amount per year:

		100.00
15.1	Verandah posts at street level each	35.00
15.2	Ground floor verandahs, per m ² or part thereof	20.00
15.3	First floor balconies, per m ² or part thereof	35.00
15.4	Second and each higher floor balconies, per m ² or part thereof	25.00
15.5	Bay windows, per m ² or part thereof of plan area of projection	75.00
15.6	Pavement lights, per m ² or part thereof	45.00
15.7	Showcases, per m ² or part thereof	45.00
15.8	All other projections below, at or above pavement level including foundation	45.00

ITEM	TARIFF	
16 <u>TREES: REMOVAL AND/OR KILLING OF</u>	2024/2025	2025/2026
16.1 situated within a said street reserve, public open space or other Council property:		
16.1.1 Per tree or alternatively the substitution thereof with five listed indigenous trees with a minimum height of 3 meter	5 000.00	5 000.00
16.2 The following fee is payable as fine in respect of trees situated within a said street reserve, public open space or other Council property, and which have been killed with a chemical remedy or any other way:		
16.2.1 Per tree	10 200.00	10 200.00

<u>ITEM</u>	<u>TARIFF</u> <u>2024/205</u>
15 <u>ISSUING OF BUSINESS LISENCE</u>	
17.1 Issue of a licence in terms of regulation 8	
a) Selling or supply of meals	1 195.00
b) Hawking with meals	200.00
c) Providing of certain types of health facilities of entertainment	
i. Turkish baths, saunas or health baths	1 400.00
ii. Massage or infra-red treatment	1 400.00
iii. Keeping of three or more amusement apparatus	980.00
iv. Escort agencies	5 580.00
v. Keeping of 10	980.00
vi. Keeping or conducting of a cinema or theatre	3 970.00
vii. Keeping or conducting of a night club or discotheque	980.00
viii. Other: Not Specified above	850.00
17.2 Issuance of a duplicate licence	290.00
17.3 Furnishing of documents as contemplated in regulation 23	290.00
17.4 Endorsement of licence as contemplated in regulation 6	400.00
17.5 Endorsement of licence as contemplated in section 2(8)	400.00
17.6 Furnishing of reasons by the Licencing Authority as contemplated in regulation 13	980.00
17.7 Issuing of hawkers licences	
a) Application fees per annum	290.00
b) Penalties for any offence	As per schedule of fines

<u>ITEM</u>	<u>TARIFF</u>	<u>TARIFF</u>
18 <u>FLAT RATE</u>	<u>2024/2025</u>	<u>2025/2026</u>
18.1 Flat rate	581.27	599.87
18.2 Indigent: Flat rate – Indigent (Gross income less than two(2) old pensioners grant)		

ITEM	TARIFF	Tariff
20 <u>TRAFFIC SERVICES</u>	2024/2025	2025/2026
		cpi increase
20.1 Traffic control with rallies		
i. Per traffic officer per hour	740	763.68
20.2 Closing of streets on public request (excluding funerals)	1780	1836.96
i. Per traffic officer per hour (excluding funerals)	830	856.56
ii. Special events(sport) per hour or part off		

FEES FOR LAND USE APPLICATIONS SUBMITTED IN TERMS OF THE MUNICIPAL SPATIAL PLANNING AND

APPLICATION	TARIFF 2024/2025	TARIFF 2025/2026
CATEGORY 1: LAND DEVELOPMENT APPLICATIONS		
1. Township Establishment	10 070.00	10 392.24
2. Extension of the boundaries of a Township	5 140.00	5 304.48
3. Amendment of a township establishment application	5 140.00	5 304.48
4. Phasing / cancellation of approved layout plan	3 780.00	3 900.96
5. Removal, amendment, suspension of a restrictive or obsolete condition, servitude or reservation against the title of the land	1 890.00	1 950.48
6. Amendment or cancellation of a general plan of a township	4 720.00	4 871.04
7. Amendments to original application prior to submission	50% of original application fee	
CATEGORY 2 LAND USE APPLICATIONS		
1. Rezoning	6 500.00	6 708.00
2. Consolidation of land	2 730.00	2 817.36
3. Subdivision of land:		
a. For first five Portions	5 770.00	5 954.64
b. More than 5 portions	940.00	970.08
4. Subdivision of Farm Land: (Act 70 of 1970)		
a. For first five Portions	7 340.00	7 574.88
b. More than 5 portions	940.00	970.08
5. Amendments to original application prior to adjudication	50% of original application fee	
MISCELLANEOUS FEES		
6. Application for second dwelling	3 770.00	3 890.64
7. Building line regulations		
a. Low density (10 units/ha)	3 770.00	3 890.64
b. Medium density (25 units/ha)	4 720.00	4 871.04
c. High density (45 units/ha)	6 800.00	6 811.20
8. Approval of site development plan	940.00	970.08
9. Extension of validity period of approval of building plans	2 100.00	2 167.20
10. Issuing of Certificates:		
a. Zoning certificate, per unit / portion / holding	660.00	681.12
b. Any other certificate to LUMS and National Building Regulations and Standards Act, Act 103 of 1977	660.00	681.12
11. Appeals and in loco inspections carried out by Inspectorate	4 720.00	4 871.04
12. Re-issuing of any notice of approval of any application	660.00	681.12
13. Public Notices		
a. Public Notice and advertisements in the legal section of a news paper	1 040.00	1 073.28
b. Public Notice and advertisements in the Provincial Gazette	5 250.00	5 418.00
1. Way leave application (application to determine where the Council's services are located or a specific area where new services are to be installed)	5 660.00	5 841.12
2. Any other application not provided for elsewhere in this schedule of fees	5 660.00	5 841.12
COPIES		
1. Spatial Development Framework:		
(a) Hard copy	6 820.00	7 038.24
(b) electronic format	3 990.00	4 117.68
2. Copy of Land Use Management Scheme	6 820.00	7 038.24
(a) Hard Copy	6 820.00	7 038.24
(b) electronic format	3 990.00	4 117.68
3. Copies of Land Surveyer Diagrammes / diagramme	400.00	412.80
FINES AND PENALTIES		
1. Contravention of Delmas Town Planning Scheme 2007 or Land Use Management Scheme in terms of Section 143 (2) of the LUMS By-Laws	R 30 000 pm from date of serving of contravention notice	

ITEM

TARIFF

2022/2023

2025/2026

ALL RENTAL FACILITIES WILL INCREASE BY 10% AS STIPULATED ON THE LEASE AGREEMENT

Rental per square

Malita/Herfslaan

1(one) Bedroom

550.00

825.00

2(two) Bedroom

825.00

1 237.50

<u>ITEM</u>	<u>TARIFF</u>	
	<u>2024/2025</u>	<u>2025/2026</u>
Air Quality Permits and authorizations		
Pesticides spraying permit	1 500.00	1 548.00
Spray painting permit	1 500.00	1 548.00
Fuel Burning Equipment Permit	1 500.00	1 548.00
Open Burning Authorisation	1 500.00	1 548.00

Tel: +27 (0)11 682 0911

Physical address:

522 Impala Rd

Dikole Section, Johannesburg South, 2058

Reference: Tariff 2025/2026

Enquiries: Nimrod Vanto

Direct Line: (011) 682 0759 / 074 481 0359

TO ALL MUNICIPAL CUSTOMERS

RAND WATER'S BOARD APPROVED POTABLE WATER TARIFF INCREASE EFFECTIVE FROM 1st JULY 2025– 30th JUNE 2026

In compliance with the provisions of the Municipal Finance Management Act (MFMA) and the Bulk Water Supply Contract, Rand Water hereby notifies your Municipality of the bulk potable water tariff increase approved by the Board of Rand Water effective from 1st July 2025 to 30th June 2026.

Rand Water's current gazetted tariff is 1331 cents per kiloliter. Rand Water previously submitted a 15.8 per cent increase, from 1331 cents per KI to 1541 cents per KI. In light of NERSA's electricity tariff increase, the bulk potable tariff approved by the Board of Rand Water is 1521 cents per KI - a 14.3 per cent increment. The tariff approved by the Board of Rand Water that includes Water Demand Management Fund is 1534 cents per KI – a 15.3 per cent tariff increment.

Municipalities	Current Tariff (1 July 2024 – 30 June 2025)	Original New Tariff (1 July 2025 – 30 June 2026)	Revised New Tariff (1 July 2025 – 30 June 2026)	Revised New Tariff with Water Demand Management (1 July 2025 – 30 June 2026)
Tariff Increment		15.8%	14.3%	15.3%
	C/kl	C/kl	C/kl	C/kl
Tariff	1330.549538 <i>Excluding VAT at 15 per cent</i>	1540.776365 <i>Excluding VAT at 15 per cent</i>	1520.818122 <i>Excluding VAT at 15 per cent</i>	1534.123617 <i>Excluding VAT at 15 per cent</i>

Board members:

Mr Ramateu Monyokolo (**Board Chairperson**) | Ms Malande Thonjeni (**Deputy Chairperson**) | Mr Simphiwe Khondlo | Mr Luvuyo Ntoyi | Mr Anthony Mhlongo | Ms Lethabo Mashamaite | Ms Boitumelo Mahuma-Madida | Mr Solomon Mngomezulu | Mr Gcinumzi Qotywa | Ms Phindile Mbanjwa | Ms Zanele Monnakgotla | Ms Clarinda Simpson | Mr Sipho Mosai (**Group Chief Executive**).

Tel: +27 (0)11 682 0911

Physical address:

522 Impala Rd
Dikole Section, Johannesburg South, 2058



Rand Water summary of submission is the following:

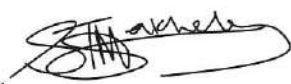
- The tariff increment approved by the Board of Rand Water is 14.3 per cent.
- An additional 1 per cent tariff above 14.3 per cent is allocated to the Water Demand Management Fund.
- Should DWS impose restrictions, then Rand Water may impose a penalty tariff of an additional 10 per cent above the tariff and this will be applicable to the volume above the proportionate abstraction license limit as per municipality allocation of 4172 ML per day from the moment the DWS restrictions become applicable.

Water Research Commission Levy

Furthermore, in terms of the Water Research Act, Act 34 of 1971, Rand Water must collect the Water Research Levy on behalf of the Water Research Commission (WRC). This is not part of Rand Water's tariff. Rand Water will inform all Municipalities in due course of the 2025/26 WRC tariff increase as soon as it is gazetted. However, each Municipality must ensure that the new WRC levy is budgeted for in the 2025/26 financial year.

Should you wish to discuss any aspect of the above please do not hesitate to contact Nimrod Vanto who will be ready to assist.

Yours sincerely



Mrs. M. Nyembe

GROUP CHIEF FINANCIAL OFFICER

Board members:

Mr Ramateu Monyokolo (**Board Chairperson**) | Ms Malande Thonjeni (**Deputy Chairperson**) | Mr Simphiwe Khondlo | Mr Luvuyo Ntoyi | Mr Anthony Mhlongo | Ms Lethabo Mashamaite | Ms Boitumelo Mahuma-Madida | Mr Solomon Mngomezulu | Mr Gcinumzi Qotywa | Ms Phindile Mbanjwa | Ms Zanele Monnakgotla | Ms Clarinda Simpson | Mr Sipho Mosai (**Group Chief Executive**).



Municipal Budget Circular for the 2025/26 MTREF

CONTENTS:

1. THE SOUTH AFRICAN ECONOMY AND INFLATION TARGETS	3
2. KEY FOCUS AREAS FOR THE 2025/26 BUDGET PROCESS	4
2.1 LOCAL GOVERNMENT CONDITIONAL GRANTS ALLOCATIONS	4
2.2 METROPOLITAN MUNICIPALITIES TRADING SERVICES REFORM PERFORMANCE INCENTIVE.....	6
2.3. REPORTING REQUIREMENTS FOR DISASTER ALLOCATIONS	7
2.4. BUDGETING AND REPORTING OF THE INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)	8
2.5. STOPPING AND REALLOCATION GUIDELINES	9
3. REVENUE MANAGEMENT	10
3.1 REVENUE ENHANCEMENT AND IMPROVED DEBT COLLECTION.....	11
3.2 MAXIMISING THE REVENUE GENERATION OF THE MUNICIPAL REVENUE BASE	11
3.3 SETTING COST REFLECTIVE TARIFFS.....	13
3.4 CONSUMER DEPOSITS AND SECURITIES.....	13
3.5 CONTRACTS WITH CUSTOMERS	14
3.6 INDIGENT MANAGEMENT	14
3.7. VOLUNTARY RESTRICTION OF NOTIFIED MAXIMUM DEMAND (NMD).....	14
3.8. PRO-ACTIVELY MANAGING COLLECTION OF MUNICIPAL REVENUE IN ESKOM SUPPLIED AREAS	15
3.9. ESKOM BULK TARIFF INCREASES.....	15
3.10. ORGAN OF STATE DEBT.....	15
4. FUNDING OF MUNICIPAL BUDGETS AND OTHER MANAGEMENT ISSUES	16
4.1. FUNDING OF MUNICIPAL BUDGETS	16
4.2. EMPLOYEE RELATED COSTS	16
4.3. REMUNERATION OF COUNCILLORS	17
4.4. MUNICIPAL PENSION FUND CONTRIBUTIONS	17
4.5. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE REDUCTION AND IMPLEMENTATION OF CONSEQUENCE MANAGEMENT.....	18
4.6. SPECIAL ADJUSTMENT BUDGET TO AUTHORISE 2023/24 UNAUTHORISED EXPENDITURE.....	19
5. MUNICIPAL STANDARD CHART OF ACCOUNTS (MSCOA)	19
5.1. RELEASE OF VERSION 6.9 OF THE CHART.....	19
5.2. FUTURE CHART CHANGES	20
5.2.1. <i>Cost capitalisation to assets (current and non-current)</i>	20
5.2.2. <i>Entity reporting</i>	21
5.2.3. <i>SARS binding general ruling BGR74</i>	21
5.2.4. <i>Costing segment</i>	22
5.3. IMPROVING MSCOA DATA STRINGS CREDIBILITY	22
5.3.1 <i>Balance Sheet Budgeting</i>	22
5.3.2 <i>Use of external service providers</i>	22
5.3.4 <i>Use of modules on integrated system solution</i>	23
5.3.5 <i>Audited Actuals (AUDA) Data String vs Annual Financial Statements (AFS)</i>	24
5.4. OWNERSHIP OF DATA ON MUNICIPAL SYSTEMS	24
5.5. BUDGET OVERRIDE AND VIREMENT	24
5.6. REGULATION OF THE MINIMUM BUSINESS PROCESSES AND TECHNICAL SPECIFICATIONS FOR MSCOA.....	25
6. MUNI EMONITOR, FMCMM AND AUDIT ACTION PLAN SYSTEM	25
6.1 MUNI EMONITOR	25
6.2 AUDIT ACTION PLANS	26
6.3 FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL (FMCMM)	26

7. SERVICE DELIVERY BUDGET AND IMPLEMENTATION PLANS (SDBIP)	27
7.1. KEY PERFORMANCE INDICATORS (KPIs) IN THE TOP-LAYER OF SDBIP	27
7.2. ADJUSTMENTS TO THE SDBIP	28
7.3. CRITERIA FOR ADJUSTING KPIs IN THE SDBIP	28
7.4. ALIGNMENT OF THE ADJUSTMENTS BUDGET AND ADJUSTMENTS TO THE SDBIP	29
8. THE MUNICIPAL BUDGET AND REPORTING REGULATIONS	30
8.1. ASSISTANCE WITH THE COMPILATION OF BUDGETS	30
9. SUBMITTING BUDGET DOCUMENTATION AND A SCHEDULES FOR THE 2025/26 MTREF	30
9.1. SUBMISSIONS TO THE NATIONAL TREASURY	31
9.2. TIME FRAMES FOR SUBMISSION	31
9.3. UPDATING OF CONTACT DETAILS ON GoMUNI	31
9.4. TRAINING ON GoMUNI	32

Introduction

This budget circular provides guidance to municipalities with their compilation of the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF). It is linked to the Municipal Budget and Reporting Regulations (MBRR) and the Municipal Standard Chart of Accounts (mSCOA) and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial management reform agenda by focussing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, mSCOA is implemented correctly and that audit findings are addressed. Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance in areas of the budget preparation that are not covered in this circular.

1. The South African economy and inflation targets

The National Treasury has lowered its 2024 economic growth forecast to 1.1 per cent, from the 1.3 per cent projected in the 2024 Budget Review, weighed down by stop-start economic growth and stubborn inflation in the first half of the year. The economy has since strengthened in response to the suspension of power cuts since March 2024, improved confidence following the formation of the government of national unity in June, better than-expected inflation outcomes in recent months and reduced borrowing costs. All these factors are expected to continue to support the economy over the period ahead.

GDP growth is projected to average 1.8 per cent from 2025 to 2027, up from 1.2 per cent in the preceding three years. The pace of growth is still being limited by persistent – though gradually easing – constraints, particularly in logistics infrastructure. Faster growth depends largely on maintaining macroeconomic stability, the continued implementation of structural economic reforms, improving state capabilities and supporting higher infrastructure investment.

The following macro-economic forecasts must be considered when preparing the 2025/26 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2023 - 2027

Fiscal year	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Forecast		
CPI Inflation	5.9%	4.6%	4.4%	4.5%	2.5%

Source: Medium Term Budget Policy Statement 2024.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

Growth in household consumption expenditure is expected to improve to 1.2 per cent in 2024, up from 0.7 per cent in 2023. Households have seen growth in real incomes as this year progressed and inflation has cooled, while consumer confidence has been buoyed by several factors, including stable electricity supply and expectations of improving financial conditions following a September cut in interest rates. Real purchasing power is expected to be bolstered by a further moderation in inflation and lower interest rates supporting household balance sheets. The newly implemented two-pot retirement system, which allows consumers to withdraw a portion of their savings before retirement, may also boost household consumption over the next few years depending on the eventual use of the withdrawn funds.

During 2024, headline inflation has cooled to its lowest rate in over three years, supported by lower food and transport prices. Underlying inflation – measured by the core inflation rate, which excludes volatile items such as food, non-alcoholic beverages, fuels, and energy – has also moderated to two-year lows, supported by lower imported inflation. Headline inflation is projected to stabilise around the midpoint of the 3–6 per cent inflation target range in the medium term. Lower food prices, a stronger rand and comparatively low oil prices present favourable risks. Meanwhile, unfavourable risks to the outlook include higher administered prices and unfavourable weather conditions for agriculture.

Even though confidence of the consumers has been uplifted by the improved economy, households are still struggling to pay municipal accounts and that has a negative impact on municipal own revenues. It is therefore noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections.

2. Key focus areas for the 2025/26 budget process

2.1 Local government conditional grants allocations

Over the 2025 Medium-Term Expenditure Framework (MTEF), the government proposes an allocation of 9.8 per cent to local government. Local government funding is projected to increase from R184.8 billion in 2025/26 to R197.9 billion in 2027/28. In 2025/26, this comprises R106.1 billion for the local government equitable share, R16.8 billion from the general fuel levy sharing with metros, and R61.8 billion for both direct and indirect conditional grants. The increased allocations to local government reflect the government's commitment to social protection as a cornerstone of its fiscal strategy, ensuring ongoing support for indigent populations and the expansion of critical infrastructure through conditional grants. These figures represent the preliminary fiscal framework outlined in the 2024 Medium Term Budget Policy Statement. The final details will be provided in the 2025 Budget Review.

Notable changes to the conditional grants system

Government has finalised its review of the conditional grant system and developed a range of reforms based on the results. These reforms are aimed to rationalise conditional grants and enhance their effectiveness and will be implemented from 2025/26.

In the metro space, National Treasury remain committed to consolidating grants to improve efficiency and effectiveness. Starting with the 2025 Budget, the Neighbourhood Development Partnership Grant (NDPG direct) and the Programme and Project Preparation Support Grant (PPPSG) will be consolidated. Over the 2025 Medium-Term Revenue and Expenditure Framework (MTREF), further reforms will include integrating the Municipal Systems Improvement Grant (MSIG) and the Neighbourhood Development Partnership Grant (NDPG indirect) into the budget baselines of the Department of Cooperative Governance and the National Treasury, respectively. Both departments will still earmark these to ensure that these allocations are used for their original purposes.

Additionally, the non-metro components of the NDPG direct will be merged with a portion of the PPPSG, and the grant will be redesigned to better serve its objectives. Most of other proposed reforms being discussed currently are planned for medium- to long-term implementation.

NT advise municipalities to utilise the indicative numbers that were presented in the 2024 Division of Revenue Act when developing the 2025/26 MTREF calculations. It is crucial to also consider the

proposed changes to baselines that were presented in the 2024 MTBPS, as they may have an impact. NT recommend this must be prioritised in all budgetary planning for the upcoming fiscal year. In terms of the outer year allocations (2027/28 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2024 Division of Revenue Act for 2025/26. The Division of Revenue Bill, 2024, which includes the annexures outlining allocations to each municipality is available at:

<https://www.treasury.gov.za/documents/national%20budget/2024/default.aspx>

Division Of Revenue Amendment Bill, 2024 (DoRAB)

Additional funding to the Municipal Disaster Recovery Grant – R684 million is added to the Municipal Disaster Recovery Grant (MDRG – Recovery) to fund the reconstruction and rehabilitation of municipal infrastructure damaged by the flood and storm surges that occurred in various parts of the country between December 2023 and July 2024. This will benefit several municipalities in five provinces with the following breakdown: Eastern Cape municipalities (10): R319 million; Free State municipalities (4): R48 million; KwaZulu-Natal municipalities (7): R152 million; Limpopo municipalities (4): R88 million; and Mpumalanga municipalities (4): R77 million.

Reprioritisation from the Public Transport Network Grant – R300 million is shifted from the Public Transport Network Grant (PTNG) to the Taxi Relief Fund to fund the extension of the programme. While the fund was introduced as a relief measure during the height of the COVID-19 pandemic, it has been extended and forms part of the work that the Department of Transport is undertaking in the formalisation of the taxi industry.

Rescheduling of BFI funding in the Regional Bulk Infrastructure Grant – reduction of R225 million to the allocation of Drakenstein Local Municipality in the Regional Bulk Infrastructure Grant (RBIG) to align to the revised implementation plan and cashflow projections for the sanitation infrastructure upgrade project funded through the BFI.

Roll-over – R29 million is rolled over in the MSIG to complete projects related to the development of the Smart Cities Framework, Capital Expenditure Framework, Data Management Project, and Records Management Project.

Changes to conditional grant frameworks and allocations

The framework of the MDRG – recovery will be amended to ring-fence the additional funds for the repair and reconstruction of municipal infrastructure damaged by the disasters that occurred between December 2023 and June 2024.

The framework of the RBIG will be updated to amend the ring-fenced BFI amount for Drakenstein Local Municipality's sanitation infrastructure upgrade project.

The framework of the PTNG is amended to reflect the revised 2024/25 baseline following the reprioritisation towards the Taxi Relief Fund.

The framework of the MSIG is amended to account for the approved roll-over in the 2024/25 financial year.

Details per municipality, of the changes to allocations for the municipal disaster recovery grant, municipal systems improvement grant, public transport network grant and regional bulk infrastructure grant that have been described in Part 2 of the explanatory memorandum to the DoRAB will be gazetted. These changes per municipality are shown in **Annexures D to E and Appendix A** of the DoRAB.

All amended frameworks will be gazetted in terms of section 15(2) of the 2024 DoRA, after consulting Parliament.

2.2 Metropolitan Municipalities Trading Services Reform performance incentive

The provision of water, sanitation, electricity, and solid waste management are in a significant decline, resulting in poor reliability, safety, and accessibility of these services. The immediate cause of service decline is long-term and systemic underinvestment in maintaining, rehabilitating, and expanding infrastructure assets. Fundamental weaknesses in the structure and management of trading services underpin and exacerbate underinvestment in trading services infrastructure and assets. Currently, trading services face negative cash flows, placing at risk overall metropolitan municipalities (refers herein as metros)'s finances and their ability to support the necessary investments and contribute to the financial health of the entire municipality. Thus, there is a growing risk to municipal finances from the impact of failing trading services and an urgent need to incentivise the turnaround of trading services/ utilities to improve performance and increase investment in infrastructure.

A new feature of the conditional grant structure from 2024/25 is a performance incentive for metros who agree to embark upon specific trading services reforms, subject to performance on accountability, financial and operational performance metrics. The purpose of the Metro Trading Services performance incentive is to support and incentivise the turnaround of metro trading services to functional utilities that can access loan finance.

The incentive programme is currently planned to run over six years, from 2024/25 to 2030/31, and will cover water and sanitation (W&S), electricity and energy (E&E), and solid waste management (SWM). Maximum performance incentive amounts will be allocated to metros through the annual Division of Revenue Act, based on household and poverty indices. The envisaged scale of the incentive is such that, with commensurate internally generated funding, metro trading services capital expenditure can more than double compared to the current baseline.

To access the performance incentive, most metros have already developed Trading Services Reform Strategies, with two annexures (A1: Institutional Road Map, and A2: Business and Investment Plans) for their Water and Sanitation and Electricity and Energy Trading Services. (See Guidance Note 2: Assessment Criteria, Process and Timeframes, Metro preparations for the introduction of trading services infrastructure financing reforms). The date for submission of Solid Waste Management A, A1 and A2s is 31 July 2025. The guidance note is accessible [at this link on the National Treasury website](#).

Metros with acceptable reform strategies for W&S and E&E will need to develop a third Annexure to their sector-specific Trading Services Reform Strategies, namely Annexure 3: Performance Improvement Action Plan (PIAP). Each A3: PIAP will have approximately 40 indicators across three performance areas (Accountability, Financial and Operational (W&S or E&E or SWM)).

For each indicator, metros will specify their starting points, ambitions, programmes to accomplish the ambitions, and annual targets for the six years of the programme. The A3: PIAP as agreed to by National Treasury and passed by the metro council will become the metro's trading service **performance contract** against which incentive allocations are confirmed or adjusted, through the Division of Revenue Act. The Council-approved sector-specific A3: PIAP must be submitted to National Treasury as part of the metro's submission of budget documentation.

Metros are currently receiving formal feedback on submissions already made. Workshop briefings, a Guidance Note, and direct support will be provided to enable metros to complete the A3: PIAP template.

For metros seeking to access the incentive, the second day of the Mid-year Budget and Performance Review (MYBR) engagements will be dedicated in assessing the readiness for trading services reform and the details of A3: PIAP. Metros should submit a complete first draft A3: PIAP prior to the MYBR engagement.

Similarly, for metros seeking to access the incentive, the Budget and Benchmark engagements will devote time to assess investment plans, commercial initiatives, of trading services. Metros should be ready for the meeting with a final A3: PIAP.

Metros who have been or are unable to generate satisfactory Trading Services Reform Strategy documents will have further opportunities (with assistance of NT) to join the programme in future.

2.3. Reporting requirements for Disaster Allocations

National Treasury has in the previous circular (MFMA Circular No. 126 dated 07 December 2023) indicated that municipalities that receive their disaster funding before the start of the municipal year, i.e., 01 July, but after the end of the national financial year, 31 March, do not need to request a rollover as any deemed unspent disaster fund transferred to municipalities during that period (01 April to 30 June) will be regarded as an automatic rollover. This consideration is done because funding for this form of a disaster would have been transferred from the new year's allocation. Therefore, National Treasury will support that these unspent monies be carried over into the new municipal year's budget. The contents of MFMA Circular No 126 are not repeated here as the position still holds.

Disaster response funding for local government is provided for in the Division of Revenue Act, 2024 (Act No. 24 of 2024) (DoRA) through the Municipal Disaster Response Grant schedule 7B (MDRG 7B); and the Municipal Recovery Grant schedule 5B (MDRG 5B).

Funds from the MDRG 7B allocations are unallocated until a classification of a disaster by the Head of National Disaster Management Centre (NDMC) in terms of Section 23(1)(b) of the Disaster Management Act, 2002 (Act No. 57 of 2002). This grant provides for the immediate release of funds for disaster response if an occurrence cannot be adequately addressed in line with section 2(1)(b) of the Disaster Management Act, 2002 (Act No. 57 of 2002).

The MDRG 5B funds longer-term rehabilitation and reconstruction of municipal infrastructure damaged by a disaster.

Section 25 of the 2024 DoRA provides that:

(3) (a) The transferring officer may, with the approval of the National Treasury, make one or more transfers of a Schedule 7 allocation to a province or municipality for a classified disaster, within 100 days after the date of the classification of the disaster.

(c) The National Treasury must, within 21 days after the end of the 100-day period envisaged in paragraph (a), by notice in the Gazette, publish all transfers of a Schedule 7 allocations made for a classified disaster.

(f) The funds approved in terms of paragraph (a) must be included in municipal adjustments budgets.

Any additional disaster funding that may be approved by the National Treasury through section 19 (6) of the DoRA which states that "On a joint request by the transferring officer and the National Disaster Management Centre (NDMC), the National Treasury may approve that a conditional allocation in Schedule 4, 5 or 6, or a portion thereof, be reallocated to pay for the alleviation of the impact of a classified disaster or the reconstruction or rehabilitation of infrastructure damage caused by a classified disaster", must comply with all the reporting requirements in the DoRA. Before the National Treasury approves a reallocation, the receiving officer of the conditional allocation in Schedule 4 or 5 or the transferring officer of a Schedule 6

allocation must confirm that the affected funds are not committed in terms of any statutory or contractual obligation". These funds upon approval constitute a part of the total disaster allocation for that financial year and must comply with the framework conditions of the disaster funding.

Upon approval by the National Treasury either through section 25(3)(a) or section 19(6), municipalities are required to follow all reporting prescripts in terms of the DoRA. In terms of the duties of receiving officer in respect of schedule 5 or 7 allocations, section 12 requires municipalities to report expenditure and transfers received monthly, not later than 10 working days after the end of each month. Further, a municipality must submit a quarterly non-financial performance report within 30 days after the end of each quarter. Lastly, municipalities must evaluate the financial and non-financial performance of the municipality, in respect of programmes partially or fully funded by a schedule 5 allocation and submit such evaluation to the transferring officer and the relevant provincial treasury within two months after the end of the 2024/25 financial year applicable to a municipality. The reporting must also comply with the framework of the Disaster grant.

In addition to the reporting requirements outlined in section 12 of the DoRA, municipalities must adhere to the reporting guidelines specified in the disaster management frameworks. Municipalities are required to implement all approved projects and ensure that allocated funds are used for their intended purposes. Municipalities should submit disaster assessment reports and funding requests, signed by the Accounting Officer, to the Provincial Disaster Management Centre (PDMC) within 14 days of the disaster classification. Additionally, municipalities must provide a performance report, including supporting evidence (such as payment certificates, photographs, and invoices) demonstrating the progress of project implementation, to the PDMC within 30 days after the end of the quarter in which the funds were utilised. National Treasury may withhold and / or stop any funds due to the municipality that does not adhere to the reporting requirements in the DoRA.

In terms of any disaster funding that municipalities receive between 01 July and 31 March and have not been spent by the end of the municipal year, 30 June, a request for a rollover is required and it is not deemed automatic. This is slightly different from an instance wherein disaster response funds are transferred to municipalities after the end of the national financial year, 31 March.

2.4. Budgeting and reporting of the Integrated National Electrification Programme (INEP)

The DoRA provides for the allocation to ensure access to electricity through provision of capital subsidies to Eskom and municipalities for the eradication of the household's electrification backlogs and to ensure universal access to electricity.

These allocations are made to Eskom for the Eskom areas of supply and to municipalities for their areas of supply. This allocation criteria on the electrification programme follows the powers and functions (licensed and unlicensed) to both municipalities and Eskom. However, there are instances where some allocations that are within the Eskom areas of supply, are made to municipalities. This is done to accelerate the delivery of the electrification services and the eradication of backlogs.

National Treasury has therefore issued the *mSCOA Circular No. 16* dated 16 October 2024 to provide more detailed guidance on the budgeting for these forms of funding. Municipalities are therefore requested to follow the *mSCOA Circular No. 16*.

2.5. Stopping and reallocation guidelines

The Division of Revenue Act provides that in instances where municipalities reflect a serious or persistent material breach of the Act (DoRA and MFMA), i.e., non-compliance against the provisions of the Acts, non-compliance against grant framework and significant under-expenditure, National Treasury may at its discretion or at the request of the transferring officer stop and reallocate the conditional grants from non-complying municipalities to best performing municipalities.

Following the 2024/25 mid-year expenditure reports (second quarter report) in terms of section 10 of the 2024 DoRA and sections 71 and 72 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), National Treasury annually considers invoking sections 18 and 19 of DoRA.

In terms of DoRA, National Treasury utilises the reported information from both municipalities and the transferring officers in terms of section 10 and section 71 of the DoRA and MFMA, respectively. The second quarter reports dated 31 December annually is targeted as a benchmark to determine whether municipalities have adequately performed against the total allocations made. Various conditional grant frameworks give guide on the conditions required for compliance and as a measure of the performance of the municipalities.

Transferring officers are required as part of section 12 of DoRA (duties of the transferring officer) to assess and monitor the performance of the municipalities against the conditional grants and recommend to National Treasury that underperforming municipalities should be considered for stopping, while best performing municipalities are considered for additional funding in terms of sections 18 and 19 of DoRA (stopping and reallocation). In terms of section 18(2) of DoRA, a request by a transferring officer or a receiving officer to stop the transfer of a schedule 4B or 5B allocation, or a portion thereof must be submitted to the National Treasury by **31 January 2025**.

National Treasury is required in terms of sections 17, 18 and 19 of DoRA and section 38 of the MFMA to consult municipalities and afford them an opportunity to make a written representation as to why their conditional grants should not be stopped. Only after National Treasury has consulted and engaged municipalities on this intention (stopping), would the Treasury decide to either stop or not stop. Therefore, the stopping and reallocation process is a consultative "process" for which National Treasury must decide on. Recommendations from all relevant stakeholders, i.e., transferring officers and provincial treasuries are considered before the National Treasury decides.

The following questions form part of the decision when National Treasury writes to municipalities to consider stopping the allocation due to persistent underspending and non-compliance against the provisions of the legislations:

- Why expenditure reported as at 31 December 2024 is below 40 per cent;
- Progress report against approved projections (provide list/ names of approved projects);
- Representation on the cash coverage for grants transferred (Liquidity ratio) and all committed unspent funds must be ringfenced;
- Representation on the initial cash flow projections against actual performance;
- Progress report on any approved rolled over for 2023/24 financial year;
- Commitment that the allocated funds are committed and that they will be fully spent by the end of the financial year, 30 June 2025, i.e., commitment that the municipality will not request rollover against the funds proposed to be stopped;
- Representation on all projects awarded after the second quarter of the municipal financial year as at 31 December 2024;

- Representation on any commitments made against Supply Chain Management Regulation 32 projects in terms of the Supply Chain Management policy and chapter 11 of the MFMA and progress made against these projects;
- Declaration by the municipality on the amount that should be stopped by National Treasury;
- All reporting must be accurate and aligned to mSCOA system and
- An acceleration plan against the 2024/25 approved implementation plan.

According to section 19 of DoRA, when a schedule 4B or 5B allocation, or a portion thereof, is stopped in terms of section 18, the National Treasury may, after consultation with the transferring officer and the relevant provincial treasury, determine the portion of the allocation to be reallocated, as the same type of allocation as it was allocated originally, to one or more provinces or municipalities, on condition that the allocation must be spent by the end of the 2024/25 financial year.

Reallocation is therefore based on availability of funding, with priority being reallocation of funds within the same district or a province. Priority is also given to the best performing municipalities, municipalities with ready projects for implementation, committed multi-projects that could be brought forward, etc i.e., A maximum expenditure of 70 per cent against original allocation is used as an indicator for reallocation. In terms of stopping of the allocations against slow spending municipalities, a 40 per cent benchmark is used to engage municipalities whether their funds should be stopped or not. It is important to note that a representation from municipalities in terms of section 38(2) (a) of the MFMA and a recommendation from the transferring officer/ provincial treasury is considered before National Treasury can stop the funds.

3. Revenue Management

The weak economic growth continues to impact municipal finances, and this has strained consumers' ability to pay for services as communicated in MFMA Circular No. 89. Coupled with this conundrum is the marginal growth in national transfers as compared to the past. These two critical factors necessitate municipalities to function optimally, suggesting that municipal operations, processes, and procedures must be efficient. Inefficiencies in this space are guaranteed to manifest on municipal finances. Although some municipalities have managed these challenges well, others have fallen into financial distress and face liquidity challenges. Subsequently, municipalities are unable to meet their payment obligations to Eskom, water boards and other creditors. Therefore, municipalities must maximise their revenue generating potential and collect what is due to them and concurrently, eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide for their core mandate and to service their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend money that they do not have.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring that the tariffs are cost reflective for the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be 4.4 per cent; therefore, municipalities are required to justify all increases more than the projected inflation target for 2025/26 in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.

3.1 Revenue enhancement and Improved debt collection

Although different methods and tools are available to municipalities for improving revenue and debt collection through external sources, National Treasury would like to encourage municipalities to productively make use of the available revenue tools developed and available.

A useful method to ensure that all properties in the municipality are levied as per the 2014 Amended Property Rates Act and the municipality's tariffs and rates policies, is the correct use of the **National Treasury Valuation Roll Reconciliation Tool**. Except for property rates, other statistical data of consumers, like the number of users for different services (although it will not perfectly match) can also be benchmarked against.

The correct use of **National Treasury Cost Reflective Tariff** and **Valuation Roll Reconciliation Tools**, together with the statistical data from the municipal billing system, must be utilised to ensure the maximum levying of revenue. Unfortunately, these tools cannot be used successfully if the input data is not correct and / or output is not correctly interpreted.

The **Smart Meters Grant Roll-Out and RT29-2024** Transversal Tender (available to all government institutions) are both useful not only to improve revenue in municipalities, but also to assist in improving debt collection. Not only can water and electricity losses be reduced, but cash can be generated up front.

By making use of the available tools and smart metering systems, municipalities will be in a better position to prepare cost-reflective tariffs and credible funded budgets, budgets that align with actual revenues and expenditures.

Municipalities must focus on increasing collection rates, curbing material losses, and aligning their budgets with actual financial realities.

3.2 Maximising the revenue generation of the municipal revenue base

Property Rates

Reference is made to MFMA Circulars No. 93, paragraph 3, 98 paragraph 4.1 and 123 paragraph 5.1. The emphasis in these MFMA Circulars is to ensure that municipalities are using their entire revenue base for the revenue budget projections. The status quo remains; however, it is essential that municipalities reconcile their most recent consolidated valuation roll data to that of the current billing system to ensure that revenue anticipated from property rates is realistic. The municipalities should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing.

The periodic general valuation of properties can result in significant changes in the market values of properties, especially where regular supplementary valuations are not done during the period of validity of the valuation roll. In the year in which a new valuation roll is implemented, where the general valuation of properties results in significant increases in the market values of a significant proportion of the properties, it would be advisable to reduce the cent in the Rand rates for categories of rateable properties for which the greater proportion of the market values increased significantly in the general valuation. To do this, the municipality must run various permutations of different cent in the Rand rates against different categories of properties to ascertain the rates payable against the different permutations.

The use of the Valuation Roll Reconciliation tool of National Treasury, can assist to test the various permutations of tariffs. After running the different permutations, the municipality can then determine cent in the Rand rates for the different categories of rateable properties that do not cause rates shocks that increase the rates payable by property owners excessively.

Municipalities are referred to the Department of Cooperative Governance's practice note in this regard, which is contained in the Local Government: Municipal Property Rates Act General Guidelines (March 2020) which can be found at the following link:

<https://www.cogta.gov.za/index.php/municipal-property-rates/>

Requirements for a billing report

The Billing report must at a minimum provide the following per each property:

- Market value;
- Property category;
- Amount billed;
- Unique property identifier (linked to the Valuation Roll);
- Property owner;
- Rebate value;
- Exemption value; and
- Reduction value.

Although the format of the billing reports will vary across municipalities, the billing report will always have the above-mentioned specifics for any municipality regardless of the financial system used as they all use the valuation roll as the basis to update the municipal financial system. Municipalities are advised to engage their service providers in ensuring that there is a standardised billing report that considers the minimum billing report requirements.

Part A and Part B Register

Reference is made to the Municipal Property Rates Act – section 23 of the MPRA reads as follows:

1. A municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and Part B;
2. Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the municipality prepared in terms of section 78;
3. Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to – (a) an exemption from the rate in terms of section 15; (b) a rebate on or a reduction in the rate in terms of section 15; (c) a phasing-in of the rate in terms of section 21; or (d) an exclusion referred to in section 17 (1) (a), (e), (g), (h) and (i);
4. The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website; and
5. A municipality must at regular intervals, but at least annually, update Part B of the register. Part A of the register must be updated in accordance with the provisions of this Act relating to the updating and supplementing of valuation rolls.

Based on the cited section, municipalities are expected to comply with the provisions of section 23 of the MPRA to ensure that the latest information is used in the reconciliation process. All revenue foregone as supported by municipal policies due to municipal reductions rebates and exemptions must be accounted for in the Part B register and all subsequent supplementary rolls performed are accounted for using a Part A register.

Furthermore, municipalities are also advised and expected to comply with section 8(1) of the MPRA in terms of the billing methodology that should be specified within their policies to ensure that the correct categories (based on the selection made by the municipality) are used

in the reconciliation process. A further test would be to reconcile this information with the Deeds Office registry.

In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit their reconciliation of the Valuation roll, Part A register of the billing system to National Treasury on a quarterly basis by no later than the 10th working day after the end of the quarter. A detailed action plan must accompany the reconciliation where variances are noted.

A copy of the Valuation Roll Reconciliation Tool template is available as **Annexure A** of this Circular.

The information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: https://lg.treasury.gov.za/ibi_apps/signin.

3.3 Setting cost reflective tariffs

It is important that municipalities periodically conduct cost of supply studies in the provision of each basic service. Municipalities must ensure that when tariffs are designed that consumption charges for services are only based on consumption and all other variable costs and fixed costs e.g., salary and wages, etc. should be covered by a fixed charge. Municipalities must ensure that when tariffs are designed, capital repayment of loans are included in the provision for depreciation that must be budgeted for.

During the budgeting process, provision must be made for revenue to be generated by the tariffs levied for services to address the maintenance of infrastructure. Repairs and Maintenance need to be sufficiently covered in Employee Related Costs, Contracted Services, Operational Expenditure, and Inventory Consumed. New infrastructure developments in a municipal area of jurisdiction should be obliged to consider and incorporate efficiency sources of energy available such as solar or wind to respond to the ongoing global energy crisis. Using the latest format of the Cost Reflective Tariff Tool after the upload of the Adjustments Budget, again after the Tabled Budget (Draft Budget) and again after the Council Approved Budget, municipalities will be able to have a better understanding of the cost reflectiveness of its tariffs and future tariff adjustments successfully explained.

It is important to note that the Cost Reflective Tariff Tool's outcome is dependent on a well-structured budget with all applicable revenue and expenditure items included.

The latest version, National Treasury Tariff Tool Linked Vol. 2 of 27 November 2024, is available as **Annexure B** of this Circular. This latest Volume 2 now replaces the Tariff Setting Tool - 05 November 2019 mentioned in MFMA Circular No. 98.

The populated Cost Reflective Tariff Tool, must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at:

https://lg.treasury.gov.za/ibi_apps/signin.

3.4 Consumer Deposits and securities

Credit control policies must be reviewed and amended to include the raising of consumer deposits, the authority to raise deposits must be deleted where it is still in the Electricity and Water by-laws, this must be included in the credit control and debt collection by-laws. Deposits must be equal or more than two months bulk accounts from water services authorities and Eskom.

3.5 Contracts with customers

All municipalities should ensure that their service agreements with customers address the following matters:

- Requirements of POPIA;
- Digital and Physical Domicile for the delivery of notices;
- Acceptance of liability in the case of proven tampering of services;
- Acceptance of Magistrates Court Jurisdiction if in arrears and legal action has been taken;
- Acceptance to adhere to Municipal policies and by-laws;
- Acceptance and approval to be handed over to third party if in arrears inclusive of credit bureau;
- Acceptance to give access to meter readers to read meters;
- Municipality accept to render promptly bills; and
- Municipality accept to limit the estimation of consumption on meters.

3.6 Indigent Management

It is critical to progressively manage the restriction of free basic services to national policy limits. Therefore, free basic services to indigent households must be restricted. Where any unlimited supply or supply above national policy limits is provided, the budget narrative must explicitly articulate how this is funded, also in a context of facilitating adequate asset management and adequate provision for related debt impairment and ability to maintain payment of Eskom, bulk water, and other creditors.

Establishing and maintaining credible indigent register – It is important that the municipalities undertake the following actions to conduct quality control and monitor the indigents:

- Check accuracy and identify any overstatement of the indigent debtor which will enable municipalities to confirm the accuracy of the reported number of indigent debtors;
- Proactively identify indigent citizens and accelerate the registration process through data-driven indigency status verification, as a precursor to tabling applications to Council for approval;
- Verify the status of indigents on the current indigent register thereby reducing the risk of citizens benefiting from the indigent subsidy when they do not qualify for it anymore;
- Create a verifiable indigent register which reduces performance audit risk through the provision of monthly controls and credible, third party, data-driven evidence to support the validity of households registered as indigent;
- Use the insight provided regarding indigents to make any necessary amendments to current Indigent Policy; and
- Municipalities are advised to work closely with DCoG and their respective provincial counterparts to simplify its indigent management registration processes – even consider qualifying criteria that can be independently checked without requiring a hefty administration burden on indigent households that are already financially constrained, including facilitating such on-site close to where indigents may reside. It is noted that the municipality needs to report on all indigent households for water and energy within its demarcation also in the Eskom supplied areas since the LGES: Free basis services (FBS) allocation is targeted at the demarcation. The municipality must therefore focus in its 2024/25 MTREF Schedule A submission to report on all indigent households (also in Eskom supplied areas).

3.7. Voluntary restriction of notified maximum demand (NMD)

Municipalities are advised that Eskom agreed with National Treasury that once a municipality in principle agreed to a Notified Maximum Demand (NMD) restriction with National Treasury,

Eskom will within 30 days of National Treasury request advise on its ability to restrict the NMD at bulk supply points in that municipality. Eskom will restrict the NMD or not charge any NMD exceedance charges and penalties to the municipality until 30 June 2027 or earlier as may be agreed between National Treasury and the municipality. Should any municipality with the electricity function not be able to maintain its Eskom bulk account, it is strongly urged to make an application to the National Treasury for such a voluntary restriction of its NMD by Eskom. The application must include a council resolution to the effect that council approves and agrees to such a voluntary restriction and the effective date thereof. National Treasury will then make an application to Eskom for this purpose.

3.8. Pro-actively managing collection of municipal revenue in Eskom supplied areas

The National Treasury notes that in the context of the Electricity Regulation Act, 2006 (ERA) existing section 21(5) prohibiting Eskom to cut supply in their areas to assist municipalities to collect on rates, water, wastewater and refuse removal – municipalities have no other tool but the restriction of water to collect in Eskom supply areas. Until ERA is amended it is critical that municipalities update their By-laws and policies to facilitate and legally allow the restriction of water as part of proper credit control for municipal revenue collection in Eskom supplied areas. The process before the supply of water is restricted/ limited, must honour the water supply rights of the indigent as well as the administrative processes and procedures, as contained in the municipal by-laws and policies read with section 4(3)(a) of the Water Services Act.

3.9. Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for the price determination of the bulk costs of electricity. In the municipal financial year 2024/25, bulk electricity costs increased by 12.7 per cent, a slight decrease as compared to 15.0 per cent in the 2023/24 municipal financial year.

Given the absence of an approved tariff increase by Eskom and no approval of Eskom tariff application available yet for the 2025/26 financial year, municipalities are cautioned to not only use the National Treasury Cost Reflective Tariff Tool, but also to do the Cost of Supply Study as prescribed by NERSA.

3.10. Organ of State Debt

The reconciliation of Organ of State debt begins with the municipal statement as the foundational document, serving as the baseline for reviewing and verifying all transactions, balances, and outstanding amounts between the municipality and the respective organ of state. This statement ensures that the reconciliation process is rooted in the municipality's official financial records. Technical and provincial advisors must meticulously analyse the statement to confirm that it accurately reflects all billed amounts, payments received, adjustments made, and any interest or penalties applied. By starting with the municipal statement, the process systematically identifies discrepancies and allows for their resolution through collaboration with the municipality and the organ of state.

Using the municipal statement as the starting point, the municipality will cross-check it against the organ of state's financial records, identifying mismatches or omissions. The detailed analysis will uncover issues such as unrecorded payments, incorrect billing, or misallocated funds. Once all discrepancies are resolved and the accounts are reconciled, the verified amounts become final and binding. It is imperative that all accounts verified during this reconciliation process are settled in full. This ensures that both the municipality and the organ of state fulfil their financial obligations, promoting accountability and reducing long-standing debt burdens.

As part of the reconciliation, municipalities must apply their credit control and debt collection policies, which are also applicable to Organ of State accounts. These policies ensure structured and proactive debt management, including efforts to engage the organ of state to finalise payment agreements for the settled amounts. Additionally, any credits or overpayments identified during reconciliation must be processed promptly by the municipality through issuing credit notes or adjusting in their financial systems. Evidence supporting reconciled balances, credits, or any adjustments must be retained to ensure compliance with financial management standards and to maintain transparency.

Finally, once the reconciliation is complete and all parties agree on the verified balances, the municipality must formally sign off on the reconciled accounts. This step signifies the accuracy and acceptance of the financial records. The organ of state must then ensure that all verified accounts are settled in full without delay, demonstrating its commitment to sound financial management and equitable treatment of debtors. By enforcing credit control measures and focusing on timely settlement, the municipality not only improves its financial position, but also strengthens relationships with organs of state, fostering a culture of accountability and mutual respect.

4. Funding of municipal budgets and other management issues

4.1. Funding of municipal budgets

National Treasury has observed over the years that many municipalities that adopt unfunded budgets are adopting budget funding plans as a mere compliance exercise. There is very little progress made to turn around from an unfunded budget position, to a funded one. To this effect, National Treasury will only allow municipalities to turn around from an unfunded budget position to a funded position within three years, of which in each year there should be measurable progress in terms of the improvement in the collection rate and cost containment initiatives. Failure for the municipalities to show visible progress each year, such municipality will not be allowed to table an unfunded budget. On monthly basis, these municipalities are required to submit progress reports to the GoMuni Portal which must be closely monitored by the respective Provincial Treasuries.

Also note that all municipalities that adopted funded budgets in 2024/25, will not be allowed to adopt unfunded budgets in 2025/26 and going forward, this implies that such budget will be referred by National/ Provincial treasury for review until the funded position is achieved. This is to enforce compliance with Section 18 of the MFMA and to encourage prudent financial management which includes collecting what is due to a municipality and paying for services rendered.

4.2. Employee related Costs

The salary and wage collective agreement were signed by the parties of the South African Local Government Bargaining Council (SALGBC) on Friday, 6 September 2024 and municipalities are expected to implement the agreement with immediate effect as from 1 July 2024.

In respect of the 2025/26 financial year, all employees covered by this agreement shall receive, with effect from 1 July 2025, an increase based on the average CPI percentage for the period 1 February 2024 until 31 January 2025, plus 0.75 per cent. The publications of Statistics South Africa shall be used to determine the average CPI.

In case the average CPI percentage for the period 1 February 2025 until 31 January 2026 is less than 4 per cent, it will be deemed to be 4 per cent, and if the average CPI percentage for this period is higher than 7 per cent, it will be deemed to be 7 per cent.

Municipalities that wish to be exempted from the collective agreement for this financial year, should apply 30-days from the date of approval of the budget of the municipality by the municipal council, or 30 June 2025. The onus to prove the case for the granting of exemption lies with the applicant municipality, and guidance is provided by SALGA.

If the municipality has missed the deadline to apply for exemption, and still wishes to do so, then the municipality will have to apply for condonation for the late referral and must show good cause of the referral as the panellist has the power to condone any failure to meet timelines. The panellist has the powers to grant full or partial exemption, and a municipality can apply to be exempted from any provision in the agreement.

In addition, the municipality must ensure that it enlists responses to all the indicators in terms of Sections 138 and 140 of the Municipal Finance Management Act. All the above are intended to ensure that municipalities find it easier to file appropriate exemption applications backed by relevant financial information.

4.3. Remuneration of Councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also consider the fiscal constraints. Municipalities should also consider the guidance provided above on salary increases for municipal officials during this process. Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councilor(s) concerned.

4.4. Municipal Pension Fund Contributions

It has been observed that municipalities have defaulted on their responsibility to ensure that 3rd party payment obligations are met, despite deductions being made from employees' salaries. This has put several municipal employees in a very unfortunate situation where they have no funds in their pension fund accounts despite salary deductions having been made.

We wish to refer accounting officers to their fiduciary responsibilities as outlined in section 61(2)(a) of the MFMA, in terms of which an accounting officer may not act in a way that is inconsistent with the duties assigned to accounting officers of municipalities in terms of the MFMA. The failure to pay over deductions to pension funds is inconsistent with section 65(2)(f) of the MFMA which requires the accounting officer to ensure that the municipality complies with its tax, levy, duty, pension, medical aid, audit fees and other statutory commitments. Equally of importance is to ensure that payments to these statutory bodies are prioritised, or suitable arrangements are made with them towards settling their accounts.

Such failure constitutes an act of financial misconduct in terms of section 171(1)(b) of the MFMA, which provides that the accounting officer of a municipality commits an act of financial misconduct if he or she deliberately or negligently fails to comply with a duty imposed by a provision of the Act on the accounting officer of a municipality.

Additionally, the above failure also constitutes a financial offence in terms of section 173 of the MFMA, read together with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings. Section 173 of the MFMA provides that the accounting officer is guilty of an offence if that accounting officer, amongst others, deliberately or in a grossly negligent way contravenes or fails to comply with section 65(2)(f) of the MFMA.

Municipalities must therefore ensure that measures are put in place to ensure that salary deductions for pension fund contributions are paid over to the pension funds. In addition, those municipalities who have outstanding pension fund contributions are advised to ensure that any outstanding payments are paid over by latest end of the 2024/25 financial year, failure which will result in punitive measures being implemented against relevant municipalities.

Equally important is to ensure that payments to these statutory bodies are prioritised, or suitable arrangements are made with them towards settling their accounts. The two bodies must be equally urged to ensure that they provide suitable attachments when they issue their invoices to the municipality so that there is clarity of payments being made.

4.5. Unauthorised, irregular, fruitless and wasteful expenditure reduction and implementation of consequence management

Section 62(1)(d) of the Local Government: Municipal Finance Management Act, 2003 (MFMA) requires an accounting officer of a municipality to take reasonable steps to prevent unauthorised, irregular, or fruitless and wasteful expenditure (UIFWE) and other losses. Section 62(1)(e) of the MFMA obligates the accounting officer to ensure that disciplinary or, when appropriate, criminal proceedings are instituted against any municipal official who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.

We have noted that many municipalities still have high UIFWE disclosed in their annual financial statements. The high UIFWE balances confirms that more still needs to be done by the Municipal Public Accounts Committee (MPAC) in line with section 32 of the MFMA to address the balance of UIFWE. Municipalities are continuing to incur UIFWE year-on-year, which is indicative of ineffective preventative.

In addition to the above, many municipalities are still not establishing disciplinary boards or ensuring that the board in place to investigate allegations or instances of financial misconduct are functional. The disciplinary board is an independent advisory body that assists the council with the investigation of allegations of financial misconduct and is required in terms of regulation 4(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014. Therefore, the establishment of a disciplinary board is a legislative requirement.

Therefore, municipalities are required to submit an action plan that must address timelines for the establishment of the disciplinary board (where one does not exist) as well as addressing the backlogs of financial misconduct investigations. The action plan must address the period from 02 January 2024 to 31 August 2025. The action plan should include monthly calendar actions that will allow the monitoring of the compiled action plan.

The action plan should include the following information:

- a. a plan to process the UIFWE balances up to 30 June 2024 by 31 August 2025 and how future UIFWE will be prevented with specific UIFWE prevention controls;
- b. the key process changes (including administrative processes) the municipality will implement to ensure that the UIFWE balances are processed to adhere to the August 2025 deadline; and
- c. the process to be followed to establish and appoint members of the disciplinary board and address the backlog of financial misconduct referrals to the disciplinary board.

The above action plan must be approved by council together with the 2024/25 adjustments budget and should be submitted to the National Treasury through the MFMA helpdesk at mfma@treasury.gov.za by the latest end of February 2025.

4.6. Special Adjustment Budget to authorise 2023/24 Unauthorised Expenditure

Section 28(2)(g) of the MFMA, read with regulation 23(6) of the Municipal Budget and Reporting (MBRR), provides the circumstances and the timelines within which the municipality must adjust its budget in relation to the unauthorised expenditure incurred during the previous financial year.

Regulation 23(6)(a) of the MBRR requires that the budget be dealt with as part of the adjustments budget contemplated in sub-regulation (1) of the MBRR. In terms of sub-regulation (1), an adjustments budget referred to in sections 28(2)(b), (d) and (f) of the MFMA may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council but not later than 28 February of the current year. Additionally, in terms of regulation 23(6)(b), a special adjustments budget must be tabled in the municipal council when a mayor tables the annual report in terms of section 127(2) of the MFMA, which may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the MFMA.

Therefore, municipalities are reminded to take this opportunity to table and approve an adjustments budget in relation to the unauthorised expenditure which was incurred during the 2023/24 financial year in line with section 28(2)(g) of the MFMA, read with regulation 23(6).

5. Municipal Standard Chart of Accounts (*mSCOA*)

5.1. Release of Version 6.9 of the Chart

On an annual basis, the *mSCOA* chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.9 is released with this circular. Version 6.9 of the chart will be effective from 2025/26 and must be used to compile the 2025/26 MTREF. The linkages to chart version 6.9 can be downloaded from GoMuni on the following link under the *mSCOA*/ List *mSCOA* WIP account linkages menu option:

https://lg.treasury.gov.za/ibi_apps/signin

The reports on the Local Government and Reporting System (LGDRS) are populated from financial and non-financial data strings. Municipalities must use the linkages on GoMuni referred to above and not the formulas in the regulated MBRR Schedules when generating their data strings.

The MBRR Schedules (A to F) and non-financial data string (A1S) was also aligned to chart version 6.9. A protected version of the MBRR Schedules for version 6.9 of the A1S are available on the MFMA Webpage on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx>

Municipalities must verify that the A1S data string does not contain spaces and special characters prior to submission to the GoMuni Upload portal as this will result in the data not pulling through on table A10 of the A1 system generated schedule.

All municipalities must prepare their 2025/26 MTREF budgets using the budget modules of their integrated systems solution, generate their financial and non-financial data string and produce the Schedule A1 directly from the integrated systems solution. The manual preparation of these documents outside the integrated systems solution is not allowed in terms of the *mSCOA* Regulations.

For the National Treasury to consider a new chart change in version 6.10 of the chart, the issue must be logged with all relevant detail, supporting documents and screenshots (where applicable) on the *mSCOA* Frequently Asked Question (FAQ) portal by 31 August 2025. The *mSCOA* FAQ portal can be accessed by all registered GoMuni users on the following link:

https://lg.treasury.gov.za/ibi_apps/signin

Importantly, when a FAQ is logged, it is considered by the FAQ committee after it has been investigated. If the FAQ members do not find grounds for a chart change, the FAQ will be closed with an explanation. If there is merit for a chart change in the next version of the chart, the matter is referred to the *mSCOA* Technical and Steering Committees for recommendation and approval. This process only concludes by the end of October annually. The FAQ process will therefore not provide quick responses to queries.

If a query pertains to GoMuni related issues (such as the **A**, **B** and **C** Schedules) and not a chart change, then an email with all relevant detail, supporting documents and screenshots must be sent to lgdataqueries@treasury.gov.za.

It should also be noted that *mSCOA* Circulars No 9, 10, 11 and 12 have also been aligned to *mSCOA* chart version 6.9 and the addendums to these circulars are released with this circular and will be published on the MFMA webpage. The addendums to these circulars can be accessed on the following link:

<https://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

5.2. Future chart changes

The following chart changes are still under consultation and if approved, it will be effected in chart version 6.10:

5.2.1. Cost capitalisation to assets (current and non-current)

The National Treasury has received multiple requests through the *mSCOA* FAQ database to include items for Cost Capitalisation to Assets (current and non-Current) in alignment with the principle applied to Employee Related Costs (Cost Capitalisation to PPE). The requested items pertain mainly to the following categories:

- Employee Related Cost
- Depreciation
- Contracted services (such as maintenance)
- Consumables and materials
- Other operating costs etc

In terms of the Generally Recognised Accounting Practice (GRAP), GRAP 1.104 states that *an entity shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity, whichever provides information that is reliable and more relevant.*

Municipalities provide this analysis based on the nature of the expenses.

GRAP 12 further requires that *Inventories paragraphs 19 to 28 must be considered to determine which costs must be included in the cost price of inventory. In terms of paragraph 19 the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.*

This GRAP standard specifically requires that any conversion costs be accounted for as part of the cost of inventory, rather than being expensed according to their nature. These costs may include labour and other expenses for personnel directly involved in the conversion process, such as water purification, as well as any attributable overheads.

When costs related to water inventory are capitalised in accordance with GRAP 12.19, no expense is recognised at the time of incurrence since a capital item is created. The expense is only recognised when the water inventory is distributed, at which point it is recorded as "Inventory consumed". This will reflect the nature of the expense incurred.

This is similar in principle to costs that are capitalised to property, plant, and equipment in accordance with GRAP 17.22. GRAP 17.22 outlines that examples of directly attributable costs that should be capitalised as part of the cost of an item of property, plant, and equipment (PPE) include expenses such as employee costs related to the construction or acquisition of the PPE, site preparation, delivery, installation, and assembly costs, among others. Once the PPE is ready for use (i.e., when it becomes available for its intended purpose), an expense is recognised in the form of "Depreciation". This depreciation represents the nature of the expense incurred over time, rather than the individual costs that were initially capitalised.

Therefore, it would not be correct to analyse and present the cost items incurred per GRAP 12.19 as the expense items outlined in the requirements of GRAP 1.104. The actual expense, by nature, is the "inventory consumed" expense, which reflects the consumption of the inventory rather than the individual costs incurred during its acquisition or conversion.

Given the current lack of consistency and the fact that only a few municipalities are accurately accounting for cost capitalisation, a guide will be issued once the consultation process with National Treasury's Office of the Accountant-General, the Accounting Standards Board (OAG), and the Auditor-General (AGSA) has been concluded.

5.2.2. Entity reporting

Currently the Local Government Database and Reporting System (LGDRS) does not make provision for the separate submission of data strings for municipal entities. However, NT is in the process of developing data strings for entities for implementation in chart version 6.10. In the interim, municipalities must verify the VAT 201 return information directly with their entity. It should be emphasised that SARS is using the *mSCOA* data strings submitted to the GoMuni Upload portal for their verification processes relating to VAT 201 returns, and municipalities should ensure that their consolidated data strings are credible, as incorrect data will negatively impact this process.

5.2.3. SARS binding general ruling BGR74

This binding general ruling issued by SARS under section 89 of the Tax Administration Act 28 of 2011 sets out the VAT treatment of supplies of goods or services made by municipalities to the national or provincial government under each contracting method. This BGR does not determine the contractual agreement between the parties but gives the VAT implications based on the nature of the transaction and the contractual capacity of the parties to the agreement. Note that the BGR 74 must be interpreted with the Value-Added Tax Act 89 of 1991.

In applying the principles of BGR 74, it is possible for municipalities to recognise output tax liabilities which they previously did not recognise. Municipalities must make appropriate payment arrangements with SARS to settle their previous unrecognised output tax liabilities due to SARS while ensuring that current output tax liabilities are settled without delay. While municipalities under BGR 74 may need to recognise output tax liabilities, municipalities should

also recognise possible previously unrecognised input tax deductions, for example, in the case of VAT expenditure incurred while completing certain housing programmes.

In accordance with the guidelines outlined in mSCOA Circular No. 12: Guidance on Value Added Tax (VAT), where municipalities are the developers for housing projects (excluding where the housing project relates to rental stock), municipalities can deduct the input tax on VAT expenditure incurred in the payment of housing and other contractors, which they have contracted in the course of constructing the houses. The VAT 409 Guide for Fixed Property and Construction for Vendors provides further guidance on the issue of low-cost housing.

In accordance with section 65(2)(f) of the MFMA, the municipality must comply with its tax commitments. Failure by the accounting officer of a municipality to comply with the duty imposed by section 65(2)(f) of the MFMA, which relates to tax commitments, not only constitutes an act of financial misconduct in terms of section 171(1)(b) of the MFMA, but also a financial offence in terms of section 173 of the MFMA. In terms of MFMA Circular No. 74, municipalities were advised to refrain from engaging tax consultants or other external service providers in preparing and reviewing their VAT returns. Where municipalities appoint tax consultants and other service providers to assist with the preparation, submission, review or correcting of VAT returns, the expenditure incurred in paying for the tax consultants and other service providers constitutes fruitless and wasteful expenditure.

5.2.4. Costing segment

The costing segment includes provisions for secondary cost allocation and categorise charge-out and recoveries separately. This approach ensures that there is a clear distinction in costs associated with both internal allocations and external recoveries, allowing for more accurate financial management and reporting. Due to the inconsistent implementation of the costing segment across municipalities, the National Treasury will review the costing segment in 2025. Changes to the principles in the Project Summary Document (PSD) as well as the mSCOA chart version 6.10 are envisaged.

5.3. Improving mSCOA data strings credibility

5.3.1 Balance Sheet Budgeting

Balance sheet budgeting refers to the practise where the revenue and expenditure transactions, as well as the financial impact of these transactions on the statement of financial position, are included in the budget. In other words, all the planned transactions must be included in the budget. The debiting and crediting of all the transactions that will transpire in the ensuing financial year equates to balance sheet budgeting; thus, planning for the expense as well as the accrual, and payment of the liability. The revenue and expenditure must be accrued in the control accounts at correct posting levels and payments made and received. The correct combination of the mSCOA segments must also be used to ensure that data strings are credible. The PSD provides guidance on data string combinations.

Financial system solutions should be set-up correctly for balance sheet budgeting.

5.3.2 Use of external service providers

When municipalities appoint external service providers, they must ensure that these service providers have the expertise and skills to comply with the mSCOA Regulations. Section 5(2) of these regulations states that:

(2) The financial and business applications or systems used by a municipality or municipal entity must—

- (a) provide for the hosting of the general ledger structured in accordance with the classification framework determined in terms of regulation 4(2);
- (b) be capable of accommodating and operating the standard chart of accounts;
- (c) provide a portal allowing for free access, for information purposes, to the general ledger of the municipality or municipal entity, by any person authorised by the Director-General or the Accounting officer of the municipality.

This means that service providers appointed by the municipality **must** comply with the following requirements when performing the work that they were appointed to do:

- Have sufficient working knowledge to use the *mSCOA* accounts and regulated segments correctly;
- Use systems and tools that comply with the provisions of the *mSCOA* Regulation 5(1) and (2);
- Use the data available on the integrated financial system solution of the municipality to:
 - Prepare key documents such as the IDP, budget, in-year reports, AFS, asset registers, etc.; and
 - Develop analysis tools and dashboards for the municipality.

When an external service provider uses excel spreadsheets or systems and tools that are not *mSCOA* compliant and populate these spreadsheets and tools from data outside of the system solution, it has a detrimental impact on the credibility of data string submitted to the GoMuni Upload portal as the data will not be aligned to the data in the spreadsheets and tools of the external service provider. This compromises the intention of *mSCOA* to have one version of the truth for reporting to municipal management, council, provincial and national government.

mSCOA requires planning, budgeting, transacting, and reporting to be done directly in and from the integrated financial system solution. Furthermore, the MFMA and the Preferential Procurement Regulations (2022) that became effective on 16 January 2023 allows for the blacklisting of companies to do business with the state for a period of up to 10 years for non-performance and other malpractices such as not complying with legislative requirements.

5.3.4 Use of modules on integrated system solution

The *mSCOA* Regulations required municipalities to acquire integrated system solutions from 01 July 2017 to enable the seamless integration of information to the General Ledger on the core financial system. Whereas most municipalities have complied with the Regulations, a number of municipalities are not fully utilising the modules available on their integrated system solution. Instead, they are purchasing the same modules from third-party system providers, and this constitutes fruitless and wasteful expenditure.

Often these third-party modules and sub-systems do not integrate seamlessly with the core system solution to ensure smooth and efficient operations; thereby necessitating manual intervention to integrate and consolidate reporting.

Where third-party modules/ sub-systems are being used by municipalities, it is important to ensure that monthly and year-end adjustments are processed in the core system solution and not in the third-party modules/ sub-systems to achieve accuracy in financial reporting and

prevent discrepancies in information. It should also be noted that the rules for integration between the core system solution and third-party modules/ sub-systems must be set by the core system provider and the latter is not required to integrate with any third-party module/ sub-system provider unless this has been agreed upon in the service level agreement.

5.3.5 Audited Actuals (AUDA) Data String vs Annual Financial Statements (AFS)

The *mSCOA* data string assessments performed by the national and provincial treasuries identified that there is generally poor alignment between the audited data strings submitted to the GoMuni Upload portal and the AFS submitted and audited by the Auditor-General South Africa (AGSA).

Adjusting journals agreed upon with AGSA must be processed in the core financial system and not in the AFS Tool. The misalignment has a direct impact on the opening balances that is critical to the statement of financial position and cash flow.

Municipalities must ensure that the pre-audited (PAUD), audited (AUDA) and restated (RAUD) data strings are carefully reviewed before submission thereof to the GoMuni Upload portal. The Trial Balance, audit data strings and AFS must be in perfect alignment before submission.

5.4. Ownership of data on municipal systems

Section 65(2)(e) of the MFMA requires that monies owed by the municipality must be paid within 30 days of receipt of an invoice. Often when municipalities default for extended periods on payments to municipal system providers, system support is suspended until payment has been received or a payment plan has been agreed to. National Treasury supports that penalties are imposed by creditors for the non-payment of services and goods that were delivered. However, it must be emphasised that the ownership of the data contained in municipal systems rests with the municipality and in cases where services are suspended, the municipality should still be able to access their data. Also, where there is a migration to another system solution, the data on the legacy system must be transferred to the municipality. This applies to data stored on a server owned by the municipality, off-site server owned by a third party or in the cloud.

It is therefore important that the service level agreement entered with system providers clearly outlines the format and procedures related to access to data to minimise operational disruptions and ensure that legislative deadlines are met.

5.5. Budget override and virement

In terms of Sections 15 of the MFMA, a municipality may incur expenditure only within the limits of the amounts appropriated for the different votes in a council approved budget. However, National and Provincial Treasuries often identify transactions against items where no budget has been allocated in their data string analysis. This is a clear indication that the budget controls in the integrated system solution have been overridden. The National Treasury has instructed system vendors to ensure that strict controls are in place when the budget is overridden on the system as this bad practice circumvents the build-in system controls that should eliminate unauthorised and irregular expenditure.

Municipalities must review their Virement policy annually and ensure that it aligns with the principles and guidance in *mSCOA* Circular No. 8 (29 April 2020). Virements may only be made between existing budget provisions and must be included in an adjustments budget.

Accounting Officers are reminded that once the council has approved the annual budget for the financial year, it must be locked, and any amendments to the budget can only be made through the adjustments budget process, in accordance with the MBRR.

From the 2025/26 MTREF, municipalities will be required to report on their virements through the submission of a separate data string on virements in the form of a virement string and budget report. Validation rules applicable to the virement data string will be communicated in due course.

5.6. Regulation of the minimum business processes and technical specifications for *mSCOA*

In terms of Regulation 6(1) and 7(1) of Municipal Regulations on Standard Chart of Accounts (2014), the Minister of Finance may determine the minimum business process requirements and system requirements for municipalities and municipal entities to enable the implementation of the regulations.

In 2024, extensive work was done regarding the regulations. The project consists of the following main outputs and planned time frames:

No	Output	Planned Time Frame
1	Review and update the minimum business processes for <i>mSCOA</i>	April 2024 to March 2025
2	Develop standard operating procedures for <i>mSCOA</i>	February 2025 to April 2025
3	Review and update the minimum technical specifications for <i>mSCOA</i>	April 2025 to Oct 2025
4	Align the current ICT due diligence assessment for <i>mSCOA</i> to the updated <i>mSCOA</i> requirements	
5	Develop Regulations on the minimum business processes and technical specifications for <i>mSCOA</i>	Oct/November 2025
6	Training on the new Regulations	November 2025 to Feb 2026

The comments and inputs received at the working groups engagements and via the dedicated email box on the minimum business processes for *mSCOA* have been considered and incorporated as applicable. Stakeholders are encouraged to provide their final inputs **by 31 January 2025** to mSCOARegs@treasury.gov.za

All presentations and draft documents for comments can be located on the MFMA Webpage under *mSCOA* – Municipal Standard Chart of Accounts/ Regulations on Minimum Business Processes and Technical Specifications for *mSCOA*/ Working Groups on the following link:

<https://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/mSCOA%20Minimum%20Requirements/Forms/AllItems.aspx>

6. Muni eMonitor, FMCMM and Audit Action Plan System

6.1 Muni eMonitor

National Treasury launched and rolled out the Muni eMonitor System in November 2023 to strengthen the capacity and capability of municipalities and municipal entities to comply with the provisions of the MFMA and its regulations, to improve information flows for public accountability, to enhance monitoring, oversight, support measures and effective reporting by various stakeholders in municipalities, municipal entities, provincial treasuries, and National Treasury. Numerous capacity-building sessions were undertaken with various stakeholders, and Muni eMonitor champions were identified in every municipality and provincial treasury. More information on the system is also provided in MFMA Circular No. 125 on National Treasury's website.

The system consists of two main components, namely: the MFMA legislated calendar with the Actions Management function and the Evaluations Questionnaire function. The implementation plan of the two main components is as follows:

MFMA legislated calendar with the Actions Management function – All Actions appearing under the legislative calendar for each month must be processed within the specific month that they appear in the calendar.

Evaluations Questionnaire – Evaluations (covering various financial management disciplines) will be published by National Treasury (on a quarterly and ad hoc basis) for municipalities to complete and submit on the system within the deadlines stipulated by National Treasury (These evaluations replace the previous reporting requirements that municipalities were required to complete in Excel).

It has been noted that since the launch and rollout of the system, there are still municipalities/ municipal entities that have not completed and submitted the Actions Management and Evaluation Questionnaire on the Muni eMonitor system. Please note that sections 74 and 104 of the MFMA state that the Accounting Officer of a municipality/ municipal entity must submit to the National Treasury such information, returns, documents, explanations, and motivations as may be prescribed or as may be required. Therefore, to avoid any possible non-compliance, municipalities are requested to complete and submit both the Actions Management and Evaluation Questionnaires within the timeframes/ deadlines stipulated in the system.

Furthermore, it has also been noted that some municipalities are reporting information without adequate review and verification of the accuracy of the information provided by the municipality/ municipal entity. Municipalities/ municipal entities are advised that National Treasury will be using the information submitted on the Muni eMonitor system as input into the MFMA Compliance report, and thus, the onus lies with municipalities/municipal entities to submit credible information on the system to ensure that the report correctly reflects the situation at their institution.

6.2 Audit Action Plans

It is mandatory that municipalities and municipal entities develop their Audit Action plans on the FMCMM and Audit Action Plan web-enabled system and monitor and report on the implementation of the developed action plans to address the findings on the system. It has been noted that a few municipalities are still preparing and monitoring audit action plans outside of the web-enabled system.

Municipalities are reminded that the completion of the Audit Action Plan on the web-enabled system is one of the criteria required for the disbursement of the Equitable Share. Therefore, to avoid any possible withholding of the grant, municipalities are requested to develop, monitor, and report on the implementation of the Audit Action Plan on the FMCMM and Audit Action Plan web-enabled system.

6.3 Financial Management Capability Maturity Model (FMCMM)

MFMA Circular No. 114 documents the annual implementation plan for the completion of the FMCMM assessment. It breaks down the completion of the 21 modules over a 12-month period. It has been noted that many municipalities are still not completing the FMCMM on the web-enabled system and/ or are not developing action plans to address internal control deficiencies identified through the assessment.

The Auditor General of South Africa has repeatedly reported that the system of internal controls at municipalities is either not in place or ineffective. Furthermore, the 2022/23 audit outcomes indicate that 42 per cent of municipalities (excluding outstanding audits) are still receiving

negative audit outcomes, thereby highlighting weaknesses in financial management and internal control deficiencies.

We have also noted a strong correlation between municipalities scoring low in specific modules and them having audit findings in those same disciplines. Therefore, it is requested that municipalities prioritise the completion of the FMCMM assessment (in line with MFMA Circular No. 114) as well as complete the development and implementation of the generated action plans to address the internal control deficiencies identified and to put in place risk mitigation strategies to ensure that weaknesses identified are addressed proactively so that they do not adversely impact on the future audit outcomes.

7. SERVICE DELIVERY BUDGET AND IMPLEMENTATION PLANS (SDBIP)

7.1. Key Performance Indicators (KPIs) in the top-layer of SDBIP

SDBIPs serve as a critical performance management tool, aligning municipal KPIs with budgets and Integrated Development Plans (IDPs) to enable effective monitoring of service delivery performance, as emphasised in MFMA Circular No. 13. To operationalise IDPs, municipalities translate the broader strategic objectives outlined in IDPs into specific, measurable, and monitorable performance indicators and targets in the SDBIP. A distinguishing feature of the SDBIP is its emphasis on measurability. National Treasury has observed ongoing challenges in structuring and revising key KPIs within the SDBIP during the financial year. These challenges stem from misalignment between the Integrated Development Plan (IDP), budget, and SDBIP, leading to ineffective performance monitoring and reporting.

To address these issues, municipalities are advised to adhere to the Municipal Finance Management Act (MFMA) and guidance outlined in related MFMA Circulars. Specifically, MFMA Circular No. 13 emphasises the importance of aligning the SDBIP with the IDP and budget to ensure cohesive planning and execution. Additionally, MFMA Circular No. 88 provides guidance on standardised set of indicators, aiming to improve the quality of performance information across municipalities.

Overcrowding of KPIs in the SDBIP

Municipalities continue to include an extensive number of KPIs in their strategic scorecard or top-layer SDBIP or without aggregating departmental output indicators or lower layer SDBIP, despite the guidance outlined in MFMA Circular No. 13. This high volume of indicators in top-layer SDBIPs can dilute focus and make monitoring cumbersome. Municipalities are therefore encouraged to streamline their indicators by consolidating KPIs in the top-layer SDBIP, focusing on most critical indicators in achieving strategic objectives, ensuring a more manageable and effective monitoring process.

Clarity of objectives

Many KPIs lack clarity regarding their alignment with municipal objectives and intended service delivery outcomes outlined in the IDPs. This raises concerns about the 'ultimate objective' of these indicators, questioning their relevance and purpose. Additionally, municipalities duplicate KPIs across multiple functional areas or departments, resulting in redundant reporting efforts. Municipalities are urged to align all KPIs with the SMART criteria (Specific, Measurable, Achievable, Relevant, and Time-bound) and strategic objectives or priorities outlined in IDPs, this will enable better monitoring of progress, identifying performance challenges, and taking

timely corrective actions. Reference is made to the Framework of Managing Performance and Programme Information (FMPPI) for further guidance on performance management.

7.2. Adjustments to the SDBIP

Municipalities adjust KPIs during the financial year, generally following adjustments budgets under Section 28 of the MFMA. While these KPI adjustments may be necessary to respond to unforeseen circumstances, underperformance of revenue or policy changes, some municipalities use this process to manipulate original KPIs to avoid accountability for underperformance. This practice undermines transparency, as original KPIs are excluded from Section 52(d) reports or Annual Performance Reports (APRs), compromising the municipal council's role to exercise oversight, and limiting stakeholders' ability to assess actual performance against initial KPIs and targets.

Adjustments to KPIs are driven by either external or internal factors. External factors include but are not limited to, significant changes in external circumstances, unforeseeable or unavoidable expenditure referred to in Sections 28(2)(c) and 29, national policy developments or changes to nationally prescribed indicators. Internal factors include, adjustments budgets as contemplated in Section 28(2) (a, b, d, e, and f), wording errors and poorly defined KPIs.

7.3. Criteria for adjusting KPIs in the SDBIP

The following criteria outline the conditions under which a municipality may amend the KPIs in the SDBIP during the financial year:

Internal factors
<ul style="list-style-type: none"> Only KPI targets may be adjusted due to under-collection of revenue or reprioritisation of funds, in terms of the council-approved adjustments budget referred to in Section 28(2) (a, e & d) of the MFMA. Only KPI targets may be adjusted during the financial year, in line with Section 28(2)(b), to account for additional funding or resources that have become available during the financial year, enabling the revision or acceleration of spending programme already prioritised in the IDP. KPI description may be revised to correct errors in the wording. An explanation for the correction must accompany the revision. KPIs may be adjusted to align with changes in municipal circumstances or emergencies, provided these adjustments remain consistent with the strategic objectives and priorities outlined in the IDP. The reasons for these changes must be clearly explained in the revised SDBIP.
External factors
<ul style="list-style-type: none"> KPIs may be adjusted in response to amendments to legislation, government policies, or frameworks introduced by national or relevant provincial departments, affecting original KPIs. The related legislation or policy must be referenced and documented as evidence for the change. KPIs may be changed to respond to natural disasters, unforeseeable or unavoidable expenditures referred to in Sections 28(2)(c) and 29 of the MFMA. The reasons for these changes must be adequately justified. KPIs may change because of revisions to nationally prescribed indicators as contemplated by the applicable legislation or circular. An explanation for these KPI revisions must be articulated in the SDBIP, referencing the relevant legislation, framework or circular.
Cross-cutting conditions
<ul style="list-style-type: none"> Municipalities must reflect all KPI changes in their SDBIPs and APRs, providing clear and justifiable reasons for each change and detailing the process followed.

- Both the original and revised KPIs must continue to be reported on in the Section 52(d) of the MFMA and the APR for accountability and transparency.
- KPI changes are prohibited during the fourth quarter of the financial year (April – June). Only KPI changes in relation to natural disaster or unavoidable or unforeseen expenditure will be permitted during the fourth quarter of the financial year.

7.4. Alignment of the adjustments budget and adjustments to the SDBIP

When a municipality adjusts its KPIs during the financial year, it must align the changes with the provisions of Section 28 of the MFMA and the Municipal Budgeting and Reporting Regulations (MBRR). The table below outlines the different types of adjustments budgets and their linkage to SDBIP adjustments:

Types of adjustments budget	Timeframes	Sections of MFMA and MBRR	SDBIP KPIs in-year changes
Adjustments due to under-collection of revenue	Anytime	S.28(2)(a)	Only changes to KPI targets are allowed
Main adjustments budget	February – after the tabling of the mid-year budget assessment and performance Only one adjustments budget referred to in Section 23(1) except S.28(2)(b)	S.28(2) (b, d & f) Reg. 23(1&2)	Allows for amendments to the SDBIP to address underperformance or realignment with revised priorities and allocations. This is subjected to the conditions outlined above
Additional funds from national / provincial government	60 days after the approval of the relevant national / provincial adjustments budget	S.28(2)(b) Reg. 23(3)	Only changes to KPI targets are allowed
Unforeseen and unavoidable expenditure	Within 60 days of expenditure being incurred	S.28(2)(c), 29(3) & 32 Reg. 23(4), 71 & 72	KPIs may be adjusted to reflect changes in resources or priorities caused by these expenditures
Roll-over of municipal funds	Before 25 August	S.28 (2)(e), Reg. 23(5)	Linked to revisions of the SDBIP to include projects and targets funded by rolled-over amounts
Authorisation of unauthorised expenditure	During main adjustments budget in February. After tabling of the annual report for that year (7 months after the financial year end)	S. 28(g), 32, 127(2) Reg. 23(6)	No changes to KPIs are allowed

All SDBIP adjustments must be tabled and approved in council.

National Treasury further discourages excessive or unjustified KPI revisions during the financial year as such practices distort municipal performance monitoring and reporting.

N.B This guidance relating to in-year KPI changes in SDBIP should be read in conjunction with guidance provided in the MFMA Circular No. 88 – Addendum 6.

8. The Municipal Budget and Reporting Regulations

8.1. Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matlatji Mashoeshoe	012-315 5553	Matlatji.Mashoeshoe@treasury.gov.za
Buffalo City	Pitso Zwane	012-315 5171	Pitso.Zwane@Treasury.gov.za
Free State	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.mabaso@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Matlatji Mashoeshoe	012-315 5553	Matlatji.Mashoeshoe@treasury.gov.za
	Pitso Zwane	012-315 5171	Pitso.Zwane@Treasury.gov.za
	Oreal Tshidino	012 315 5090	Oreal.Tshidino@Treasury.gov.za
City of Tshwane and City of Johannesburg	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
	Enock Ndlovu	012-315 5866	Enock.Ndlovu@treasury.gov.za
City of Ekurhuleni	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Lunathi Dumani		Lunathi.dumani@treasury.gov.za
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Lunathi Dumani		Lunathi.dumani@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
eThekweni	Sifiso Mabaso	012-315 5952	Sifiso.mabaso@treasury.gov.za
uMhlathuze	Matlatji Mashoeshoe	012-315 5553	Matlatji.Mashoeshoe@treasury.gov.za
	Pitso Zwane		Pitso.Zwane@Treasury.gov.za
Limpopo	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
	Jabulile Ngwenya		Jabulile.ngwenya@treasury.gov.za
Mpumalanga	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Liyasa Nxosi	012 315 5613	liyasa.nxosi@treasury.gov.za
Northern Cape	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Liyasa Nxosi	012 315 5613	liyasa.nxosi@treasury.gov.za
North West	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
	Khanyisile Khoza		khanyisile.khoza@treasury.gov.za
Mafikeng	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Western Cape	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Enock Ndlovu	012-315 5385	Enock.Ndlovu@treasury.gov.za
	Khanyisile Khoza		khanyisile.khoza@treasury.gov.za
Cape Town	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
George	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Technical issues on GoMuni Website	Data management		lqdataqueries@treasury.gov.za

9. Submitting budget documentation and A schedules for the 2025/26 MTREF

9.1. Submissions to the National Treasury

Municipalities are reminded to submit documents and queries to the correct portals/ mailboxes. These portals/ mailboxes are:

- https://lg.treasury.gov.za/ibi_apps/welcome (GoMuni Upload Portal) – All documents required in terms of legislation by approved registered users, including: mSCOA Data Strings; Budget-related, in-year and year-end documents and schedules (A, B and C); Revenue and MFRS Documents (as per MFMA Circular No. 126) procurement spent reports, etc.:
- lgdataqueries@treasury.gov.za – Database related and submission queries;
- lgdocuments@treasury.gov.za – Only Provincial Treasuries may send contact details to lgdocuments@treasury.gov.za ; and
- mSCOA_Regulations@treasury.gov.za – all inputs and comments relating to the intended mSCOA Regulations on the minimum business processes and system specifications; and
- Rolloverapplication@treasury.gov.za – all rollover applications and queries related to the conditional grants.

Any document/ queries that are submitted to the incorrect portal/ mailbox will not be processed and the submission status report will continue to reflect the documents as outstanding.

9.2. Time frames for submission

The LGDRS will be locked at 00:00 on the 10th working day of every month for the submission of data strings due, as required in terms of section 71 of the MFMA. Closed periods will not be opened to correct errors or to accommodate non-submission of data strings, regardless of whether a Schedule G application was done or not.

Municipalities must therefore verify the credibility and accuracy of the information in their financial system prior to closing the month on the ERP system and submitting the mSCOA data strings to the LGDRS. In 2025, functionality will be added to the GoMuni Upload portal that will require accounting officers and Chief Financial Officers to sign-off on the accuracy and completeness of the data strings prior to the submission thereof.

The GoMuni Upload portal can be accessed by registered users on the following link:

https://lg.treasury.gov.za/ibi_apps/signin

Since the 2020/21 MTREF, municipalities are no longer required to submit hard copies of all required documents including budget related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. PDF versions of documents must be submitted to the GoMuni Upload portal.

9.3. Updating of contact details on GoMuni

Municipalities are reminded to update their contact details on the LGDRS as and when changes occur. Often emails containing important information and deadlines are returned and do not reach the intended LGDRS users due to outdated contact information of users. From 01 July 2024, municipal officials must update their own contact details on the LGDRS. Updates made by municipal officials on the LGDRS are validated and approved for upload by the Contacts Administrators within each municipality that was nominated by the Municipal Manager for this purpose.

Municipalities that have not yet nominated Contact Administrators to validate and approve changes in contact details for their municipality are requested to nominate two officials by 30 January 2025 to ensure that the contact details for their respective municipality are always up

to date. Nomination forms can be requested from lgdataqueries@treasury.gov.za. Municipal Contacts Administrators will be trained in a virtual session to perform this task.

Registered LGDRS users can download the contact details for their municipality on the LGDRS by logging-in to GoMuni on the following link and then accessing the report under Database/Contacts/Reporting/Contact information:

https://lg.treasury.gov.za/ibi_apps/signin

9.4. Training on GoMuni

The training schedule and GoMuni links for 2025 to assist those users that require new or refresher training on how to draw reports on the LGDRS, is available on the GoMuni/ Go Training portal on the following link:

https://lg.treasury.gov.za/ibi_apps/portal

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001
Phone 012 315 5009
Fax 012 395 6553
Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
06 December 2024



Municipal Budget Circular for the 2025/26 MTREF

CONTENTS:

1. THE SOUTH AFRICAN ECONOMY AND INFLATION TARGETS:	2
2. KEY FOCUS AREAS FOR THE 2025/26 BUDGET PROCESS:.....	3
2.1. LOCAL GOVERNMENT ALLOCATIONS.....	3
2.2. POST 2024 MTBPS CHANGES	4
2.3. REVIEW OF THE LOCAL GOVERNMENT FISCAL FRAMEWORK	5
2.4. UPDATE ON THE REVIEW OF THE CONDITIONAL GRANTS	5
2.5. FUNDING FOR LOCAL ECONOMIC DEVELOPMENT (LED) PROGRAMMES	6
2.6. METRO TRADING SERVICES REFORM INCENTIVE	7
2.7. ALIGNMENT BETWEEN THE METRO TRADING SERVICE REFORM AND MFMA CIRCULAR No.88 ...	9
2.8. THREE-YEAR AND ONE-YEAR CAPITAL APPROPRIATIONS	10
2.9. CRITERIA FOR THE RELEASE OF THE EQUITABLE SHARE	10
2.10. CRITERIA FOR THE ROLLOVER OF CONDITIONAL GRANT FUNDS	10
2.11. UNSPENT CONDITIONAL GRANT FUNDS FOR 2024/25	12
2.12. ROLLOVER OF THE URBAN DEVELOPMENT FINANCING GRANT : METRO TRADING SERVICES COMPONENT	13
3. REVENUE MANAGEMENT	13
3.1. PRIORITISE FUNDING THE ELECTRICITY REVENUE PROTECTION PROGRAM	13
3.2. REVENUE MANAGEMENT ASSESSMENT TOOL.....	13
3.3. COST REFLECTIVE TARIFF TOOL.....	14
3.4. ELECTRICITY TARIFFS	15
3.5. MUNICIPAL VALUATION ROLL RECONCILIATION TOOL.....	15
3.6. PROHIBITION ON VENDING SYSTEM(S) / THIRD PARTY VENDING SOLUTIONS WITHOUT CONSULTING THE NATIONAL TREASURY	16
3.7. TRAINING TOOLS BY THE NATIONAL TREASURY	17
4. BUDGET AND OTHER MANAGEMENT ISSUES:	18
4.1. 2025/26 MUNICIPAL BUDGET TABLING TIMELINES	18
4.2. MANAGEMENT OF WATER TANKERS	18
4.3. ASSET MANAGEMENT.....	19
5. MUNICIPAL STANDARD CHART OF ACCOUNTS (MSCOA):	19
5.1. GO LIVE ON VERSION 6.9 OF THE CHART	19
5.2. MSCOA DATA STRINGS CREDIBILITY	19
5.3. SUBMISSION OF VIREMENT INFORMATION.....	20
5.4. MEDIUM-TERM DEVELOPMENT PLAN (MTDP)	20
5.5. UPGRADING AND PROCUREMENT OF MSCOA SYSTEM SOLUTIONS AND/OR FUNCTIONALITY	20
5.6. ISSUES PERTAINING TO THE REGULATIONS ON THE MINIMUM MSCOA REQUIREMENTS	21
5.7. SPECIAL ADJUSTMENTS BUDGET TO AUTHORISE UNAUTHORISED EXPENDITURE	21
6. SUBMITTING DOCUMENTS TO THE GOMUNI UPLOAD PORTAL:	22
6.1. SUBMISSION OF ADDITIONAL REPORTS	22
6.2. SUBMISSION AND SIGN-OFF OF KEY TABLING DATES.....	23
7. THE MUNICIPAL BUDGET AND REPORTING REGULATIONS:	23
7.1. ASSISTANCE WITH THE COMPILATION OF BUDGETS	23

Introduction:

This budget circular provides guidance to municipalities with their compilation of the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF). It is linked to the Municipal Budget and Reporting Regulations (MBRR) and the Municipal Standard Chart of Accounts (mSCOA) and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial management reform agenda by focussing on key "game changers". These game changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, mSCOA is implemented correctly and that audit findings are addressed. Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance in areas of the budget preparation that are not covered in this circular.

1. The South African economy and inflation targets:

GDP growth is expected to average 1.8 per cent from 2025 to 2027. Medium-term growth will be underpinned by household consumption on the back of rising purchasing power, moderate employment recovery and wealth gains. Continued investments in renewable energy and easing structural constraints are expected to support higher investment. Key factors for achieving faster economic growth and creating much-needed jobs include greater collaboration with the private sector in energy and transport, rapid implementation of structural reforms, easing of regulatory constraints and increased infrastructure investment.

The following macro-economic forecasts must be considered when preparing the 2025/26 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2023 - 2028

Fiscal year	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Estimate	Forecast		
CPI Inflation	6.0%	4.4%	4.3%	4.6%	4.4%

Source: National Treasury Budget Review 2025.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

Headline inflation declined to 2.9 per cent in the fourth quarter of 2024, resulting in average inflation of 4.4 per cent for the year. Consumer inflation is projected to average 4.3 per cent in 2025 and 4.6 per cent in 2026, picking up slightly as the value-added tax (VAT) increase pushes up prices. The VAT effect is seen mainly in core inflation, which, after averaging 4.3 per cent in 2024, is projected to rise to 4.6 per cent in 2026. Lower global crude oil prices are expected to support muted fuel price inflation.

Due to weaker economic growth and other economic factors such as the current VAT increase which puts added pressure on households, households will likely struggle to pay municipal accounts which will impact negatively on municipal own revenues. It is therefore noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections or for clear articulation of all the factors affecting the tariffs.

VAT Increase

In the Minister's Budget speech on 12 March 2025, two increases in the standard rate of VAT were announced. The first-rate increase of 0.5 percentage point applies from 1 May 2025, and the second-rate increase of 0.5 percentage point will apply from 1 April 2026. SARS has issued the following guidelines in this regard:

- A Pocket Guide on the VAT rate increase on 1 May 2025; and
- Frequently Asked Questions (FAQs) to guide vendors and the public on the first rate increase effective from 1 May 2025 and to ensure consistency on certain practical and technical aspects of implementing the change to the VAT rate. More guidance on the second-rate increase will be communicated in due course.

Municipalities should also refer to **VAT 404 – Guide for Vendors**. These guidelines are available on the SARS website www.sars.gov.za.

2. Key focus areas for the 2025/26 budget process:

2.1. Local government allocations

Over the 2025 MTEF, the local government equitable share and direct conditional grants amount to a total of R552.7 billion, made up of R332.4 billion in the local government equitable share, R52.9 billion in the general fuel levy sharing with metros and R167.4 billion in direct conditional grants. Direct transfers to local government grow in line with inflation, increasing at an annual average of 4.4 per cent over the MTEF, with the local government equitable share growing at a slightly higher rate (5.2 per cent).

Review of the Municipal Capacity Building Programme

As part of the next phase of the ongoing review of local government capacity-building programmes, the National Treasury will consolidate its financial management support initiatives into a unified Local Government Financial Management Capability Development Programme. This integrated programme will provide a comprehensive framework for equipping municipalities with the tools, knowledge and resources needed to strengthen governance and improve service delivery. By streamlining existing initiatives and fostering collaboration, the programme aims to deliver targeted, impactful and sustainable support to municipalities across the country.

The programme will align with the National Treasury's Capability Development Framework and adopt a differentiated approach tailored to the unique needs and maturity levels of municipalities. Key features include pre-grant capacity assessments to identify gaps, multi-year grants to build sustainable in-house capabilities and a municipal scorecard to monitor progress and link it to grant allocations. Collaboration with partners such as South African Local Government Association (SALGA), the Department of Cooperative Governance (DCoG) and academic institutions will ensure the design and delivery of customised capacity-building packages. Beyond financial management, the programme will serve as a foundation for a broader government-wide initiative to integrate capability development across all municipal functions, including governance and service delivery. This cohesive, long-term strategy underscores the importance of a unified effort to achieve sustainable municipal development and improve outcomes for communities nationwide.

Update on the conditional grant for smart prepaid meters

As indicated in the 2024/25 financial year, the National Treasury now oversees the smart meters grant as an indirect grant through a transversal contract to regulate distribution quality and costs. This grant aims to enhance energy efficiency and support the integration of renewable energy to better meet consumer needs.

Over the 2025 MTEF period, the grant will continue to support municipal debt relief efforts by focusing on municipalities already enrolled in the program. Over time, the grant is expected to expand to additional municipalities, aiming to enhance financial sustainability and management. This grant is allocated R2.3 billion over the 2025 MTEF.

Improving regulatory levers and reforms

By enhancing the usage of regulatory frameworks in the conditional grants system, the government is taking steps to ensure that municipalities prioritise critical projects and utilise resources effectively. The use of results from the Department of Water and Sanitation's Watch Reports in the prioritisation of water and sanitation projects funded from general-purpose grants such as the integrated urban development grant (IUDG), municipal infrastructure grant (MIG) and the urban settlements development grant (USDG) will improve the quality and impact of these projects. Further, requiring municipalities to use the results of green drop, blue drop and no drop assessments in planning and prioritising projects will drive greater accountability and transparency in the use of grant funds, promoting sustainable and effective service delivery.

2.2. Post 2024 MTBPS changes

Since the tabling of the 2024 MTBPS, additional changes have been proposed to local government allocations. These include:

- Shifting R245 million over the MTEF period from the MIG to the IUDG. This follows Alfred Duma Local Municipality qualifying to participate in the IUDG;
- Shifting R494 million in 2025/26 from the direct component of the MIG to the indirect component to address wastewater infrastructure issues in 21 municipalities;
- Introducing a new Urban Development Financing Grant (UDFG). The baseline of this grant is funded from the metro component of the neighbourhood development partnership grant (NDPG) (R924 million over the MTEF period) and 80 per cent of the programme and project preparation support grant (PPPSG) (R981 million over the MTEF period);
- Introducing a new Urban Development Financing Grant (UDFG). The baseline of this grant is funded from the component of the neighbourhood development partnership grant (NDPG) (R924 million over the MTEF period) and 80 per cent of the programme and project preparation support grant (PPPSG) (R981 million over the MTEF period);
- Expansion of the Water Financing Component in the 2024/25 Urban Settlement Development Grant to electricity and solid waste management, in addition to water and sanitation, in the Trading Services Component of the 2025/26 Urban Settlement Development Grant framework. This component introduces a condition that a minimum of 56 per cent of the USDG be allocated to water and sanitation, electricity and energy; and solid waste management services capital infrastructure projects aligned to metro-approved trading services investment plans of the grant;
- An additional R450 million in 2025/26, from the Public Employment Programme;
- Additional funding from the Budget Facility for Infrastructure that will flow through the UDFG is as follows:
 - City of Johannesburg: R578 million in 2026/27 and R533 million in 2027/28 for a wastewater project.

- eThekweni Metropolitan Municipality: R56 million in 2025/26, R109 million in 2026/27 and R101 million in 2027/28 for a project to address non-revenue water.
- Merging the non-metro component of the NDPG and the remaining 20 per cent of the PPPSG into a single grant (called NDPG), with a baseline of R1.4 billion over the MTEF period;
- A reduction of R435 million in 2025/26 and increases of R425 million in 2026/27 and R660 million in 2027/28 to the public transport network grant (PTNG) to align with the revised implementation plan and cash flow projections for the City of Cape Town's MyCiTi programme, funded from the Budget Facility for Infrastructure;
- An additional R225 million in 2026/27 to the regional bulk infrastructure grant (RBIG) allocation for Drakenstein Local Municipality. This adjustment, carried through from the 2024 Division of Revenue Amendment Act, aligns with the municipality's revised implementation plan and cash flow projections; and
- Discontinuing the municipal systems improvement grant (MSIG). Its baseline will be redirected to the Department of Cooperative Governance and earmarked for national government to support municipalities.

2.3. Review of the local government fiscal framework

The aim of the review is to critically examine the financial viability of the local government fiscal framework (LGFF) and identify key factors influencing its effectiveness, stability, and long-term sustainability. This will be achieved by conducting an in-depth examination of existing policies, practices, and mechanisms governing the allocation, management, and utilisation of fiscal resources at the local government level. The review will be mainly centred around the following thematic areas:

- Overall LGFF baseline profile of distressed and optimally functioning local governments institutions and refinement of LGFF problem statement;
- LGES formula;
- Local government expenditure reviews;
- Fiscal leakages in local government; and
- Additional revenue considerations, including existing revenues options, including those that are undersubscribed, and exploring new additional own revenue sources and improved municipal borrowing for strengthening infrastructure investment and maintenance.

2.4. Update on the review of the conditional grants

In September 2024, government concluded a comprehensive review of the conditional grant system and developed reforms based on the findings. These reforms, which will be implemented progressively over the next three years, are designed to rationalise the conditional grant framework, integrate certain grants into the provincial equitable share and national departments' budget vote, and enhance the overall effectiveness of the system. This initiative underscores government's commitment to improving service delivery while ensuring the prudent management of public resources.

The review process was underpinned by an extensive consultation phase conducted between July and December 2024 during which the National Treasury presented the findings and recommendations arising from the review. Most of the proposed reforms are intended for medium- to long-term implementation, with a select number of reforms being prioritised for the short-term and will be introduced during the 2025 MTEF period.

Further consultations are planned to follow the tabling of the 2025 Budget. These engagements will include impact assessments and preparatory work to ensure the successful rollout of the proposed changes. The reforms aim to address systemic challenges within the grant system and are guided by the principles of equity, efficiency, and sustainability. Key areas of reform include the following:

- I) *Enhancing differentiation and effectiveness in the grant system:* A central objective of the reforms is to introduce greater differentiation within the grant system to address the diverse needs of municipalities. This includes reducing the growing reliance on grants by metropolitan municipalities while providing targeted support to municipalities with limited capacity. By addressing service delivery challenges and locational disparities, the reforms aim to create a more responsive and equitable system. Specific measures under this initiative include refining allocation methodologies to balance equity and efficiency considerations, strengthening co-funding requirements to promote shared responsibility and sustainability, reducing restrictive earmarking and ring-fencing to allow for greater flexibility in the use of funds, introducing or enhancing performance-based incentives to drive accountability and improve outcomes, and improving the alignment of related grants to reduce fragmentation and duplication; and
- II) *Rationalising the number of grants:* As part of the reforms, the number of conditional grants allocated to subnational governments will be streamlined to address the duplication of grants and mitigate the administrative burdens associated with the proliferation of funding streams. By simplifying the grant system, government aims to improve efficiency and reduce reporting requirements, enabling municipalities to focus on service delivery. Proposed measures include:
 - Merging water reticulation grants to create a unified funding mechanism for water infrastructure;
 - Consolidating energy grants to streamline support for energy-related projects;
 - Combining urban development grants to enhance the coordination of urban infrastructure investments; and
 - Discontinuing grants that are better suited as provincial programmes, such as those for road maintenance, sports development, and capacity-building initiatives.

These reforms represent a decisive step towards a more efficient and effective intergovernmental fiscal framework. By addressing systemic inefficiencies and aligning resources with service delivery priorities, government reaffirms its commitment to fostering sustainable development and improving the quality of life for all citizens. The implementation of these reforms will be closely monitored to ensure that they achieve their intended objectives while maintaining fiscal discipline and accountability.

2.5. Funding for Local Economic Development (LED) Programmes

National Treasury is mindful of the essential role played by municipalities in driving economic development and job creation to mitigate inequality and attract private investment. In addition to the infrastructure grants, municipalities also receive about 66 per cent of their allocations in unconditional grants, which can be utilised to fund operational parts of the LED initiatives. However, it is important to note that economic development does not rely solely on a single funding pot, but on various forms of government programmes and grants. This includes support and initiatives from the Department of Trade, Industry and Competition funded by provinces through their equitable share.

Whilst there is a call for the creation of a conditional grant, it is worth noting that the creation of a dedicated grant for LED initiatives comes with its challenges. In the past, when such grants were introduced, government institutions reprioritised funds that were initially funding the LED programmes, leading to over-reliance on conditional grants. This dependence undermines the

purpose and sustainability of these programmes, as their funding is primarily dependent on the availability of funds from the fiscus and the performance of the economy. Therefore, there is a need to align conditional grants with economic development areas while also ensuring their integration with other government spheres to support the developmental mandate effectively.

In addition, it is also crucial for municipalities to provide essential services such as electricity, water, and sanitation efficiently. The efficient provision of these services is crucial for attracting private investment, fostering economic growth, and promoting a conducive environment for businesses to thrive. Therefore, National Treasury urges municipalities to prioritise the provision of these services to enhance economic development and improve the quality of life for their residents.

2.6. Metro Trading Services Reform Incentive

Background – the background to the metro trading services performance incentive grant was outlined in the 2024/25 Budget Circular under the heading 'Reforms to improve the efficiency and financial sustainability of metro trading services'. The local government grant review process and the metro trading services reform process are converging into an incentive grant to incentivise a turnaround in the performance of metro trading services.

Progress made – Over the last year metro municipalities have engaged in substantial preparatory work regarding turnaround and reform strategies in Water and Sanitation and Electricity and Energy. Metros have in respect of each of these trading services prepared Trading Services Reform Strategies (A) with annexures A1 (Institutional Road Maps), and A2 (Business and Improvement Plans). They are currently preparing Annexure A3 (Performance Improvement Action Plans)¹. All submissions are assessed by interdepartmental teams from the Departments of Water and Sanitation, Mineral Resources and Energy, DCoG, DHS, National Treasury and SALGA.

Programme planning and assessment framework – the incentive grant framework is currently planned to run for six years from 2025/26 (Year 1) to 2030/31 (Year 6). Year 1 focuses on establishing the necessary accountability, financial transparency, and strategic planning foundations for the five subsequent years (Years 2 to 6) of strategy implementation.

Metros will have three planning opportunities

Development of version 1 of the Annexure A3: Performance Improvement Action Plan (A3: PIAP v1) (indicative targets for all indicators, accompanied by firm targets to achieve minimum commitments in year 1) to be approved by Council alongside metro budget documents by June 2025.

Development of version 2 of the A3: PIAP v2 (with minimum commitments achieved, and realistic annual targets for all indicators) to be approved by Council with metro budget documents by June 2026.

Development of version 3 of the A3: PIAP v3 (with minimum commitments retained and an opportunity to reset annual targets) to be approved by Council with metro budget documents by June 2028 (details provided in Guidance Note 4).

The intention of the incentive programme is that incentive grant allocations should be awarded to metros according to independently assessed performance against the targets of their reform strategies as set out in the relevant A3-PIAP.

Special arrangements are necessary to determine the provisional incentive allocations provided for under the Division of Revenue Bill (2025) for years 1 and 2 of the programme. In these

¹ See <https://mfma.treasury.gov.za/Guidelines/Documents/Trading%20Services> for Guidance Notes and Resource Documents issued to assist.

cases, performance will be assessed against the commitment to (year 1) and achievement of (year 2) minimum commitments as follows:

- **YEAR 1:** Metro Councils who in Year 0 (2024/25, i.e. by the end of this municipal financial year), pass a satisfactory A3 PIAP v1 with minimum commitments, will be awarded the Year 1 allocation as finalised in the National Adjusted Budget process;
- Draft submissions from participating metros were reviewed during the 2025 Mid-year Budget, and final submissions will similarly be assessed during 2025 Budget and Benchmarking engagements during April to May 2025. Assessment and independent confirmation will be undertaken and submitted to the National Treasury;
- **YEAR 2 and 3:** Similarly, Metro Councils who in Year 1 (2025/26, i.e. by the end of June 2026) achieve the eight minimum commitments and pass a satisfactory A3 PIAP v2, will be awarded the Year 2 and Year 3 allocations as finalised. This is appropriate since planned spending for those years will by then be based upon well-substantiated business turnaround and financial strategies;
- Draft and final submissions will be reviewed and assessed during the Mid-year Budget and Performance and Budget and Performance engagements, and final submissions to metro Council will need NT approval. Assessment and independent confirmation will be undertaken and submitted to the National Treasury; and
- **YEARS 4, 5 and 6:** Once strategy implementation is underway, incentive allocations for any year (Y) will depend upon metro performance against numerical targets set for year (Y-2). This must be assessed after financial year end, but early enough during year (Y-1) to enter the budget process for Year (Y). The earliest this can apply is for Year 4, based on assessed performance in Year 2. This arrangement will determine incentive allocations for Years 4, 5 and 6.
- Independent assessments will be conducted annually, to confirm that minimum commitments remain in place, and to assess performance against targets.

Indicative incentive allocations

The indicative incentive allocations per metro per financial year are based on poverty-weighted population formula. Annexure W1 to the 2025 division of revenue sets out indicative figures which represent the maxima potentially available to metros currently participating in the programme, based on the assessed status of each metro trading services strategy as at 15th of January 2025 (they include solid waste management from Year 2 (2026/27)).

The indicative allocations are not yet actual budget allocations. Firm announcements regarding Year 1 (2025/26) incentive grant allocations will be included in the National Adjusted Budget in October 2025 and confirmed in allocation letters. Metros will accommodate these incentive allocations in their own adjustments budget as soon as possible but not later than the 28th of February 2026.

Adverse or disclaimed audit findings

No metro which has received an adverse or disclaimed financial audit for the previous financial year will be eligible to access their incentive grant award in the forthcoming year.

Re-opening of incentive grant window

As previously communicated, Solid Waste Management is scheduled for inclusion in the incentive programme from Year 2 (2026/27) onwards. Metros wishing to include solid waste

management in their trading services reform strategies should submit the necessary documentation according to the following schedule:

- a. **Council-approved Trading Services Reform Strategy (A)** which is due on 31st of July 2025 which includes Annexure A1 (Institutional Road Map) and Annexure A2 (Business and Improvement Plan);
- b. **Draft Annexure A3 version 1 (Performance Improvement Action Plan)** at the Mid-year review stage which is due in January 2026;
- c. **Final draft Annexure A3-PIAP version 1** at the Budget and Benchmark stage during April 2026; and
- d. **Council approved A3-PIAP version 1** due by June 2026.

Note: This re-opening of the incentive grant window also applies to metros which (a) have not previously met eligibility requirements in the water and sanitation or electricity and energy trading services, and (b) seek another opportunity to enter the programme. Such metros should follow the same schedule as above.

2.7. Alignment between the Metro Trading Service Reform and MFMA Circular No.88

The implementation of MFMA Circular No. 88 continues in all categories of municipalities. In December 2024, Addendum 6 of the MFMA Circular No. 88 was published providing an update on the preparation of statutory planning and reporting documents required for the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF). Addendum 6 provided guidance to the municipalities on in-year changes to indicators in the Service Delivery Budget and Implementation Plan (SDBIP) and guidance for 'estimate' values in indicator reporting. Further guidance on indicator revisions and definitional clarification was also provided.

Selected MFMA Circular No. 88 indicators are also being used to track the performance of the metros as part of the A3 PIAP: Performance Improvement Action Plan of the Metro Trading Service Reform (MTSR). In line with the rationalisation and standardisation objective of the MFMA Circular No. 88 reform, this ensures that there is alignment and line of sight across various reporting frameworks. Furthermore, this promotes consistency in planning, budgeting, and reporting while reinforcing the overall objectives of the reform agenda. The MTSR targets water and sanitation, electricity and energy and solid waste management in the metropolitan municipalities focusing on institutional performance and accountability, financial performance, governance and operational or service delivery performance. Although the MFMA Circular No. 88 reporting and the MTS reforms are complementary reforms, the MTS is a targeted reform linked to a performance incentive grant. Where possible the MTSR utilises the MFMA Circular No. 88 indicators, as reflected in MTSR Guidance Note 4 Addendum that was circulated to the metros on the 3rd of March 2025. However, noting the targeted business operations turnaround required of MTS, several performance indicators outside the MFMA Circular No. 88 process have been developed for operational monitoring and reporting distinct from the statutory plans and reports in which all MFMA Circular No. 88 indicators find expression.

Future reporting on the selected MFMA Circular No. 88 indicators that form part of the A3 PIAP should be sourced from the MFMA Circular No. 88 reporting platform to ensure seamless integration between the two reforms. At this stage, the exact modalities and protocols to derive reporting efficiencies between the A3 PIAP and the MFMA Circular No. 88 reporting platform are still being confirmed, and municipalities should expect further guidance from the National Treasury on the coordination and synchronisation of reporting.

This section should be read in conjunction with paragraph 2.3 of the MFMA Circular No. 88 Addendum 6.

2.8. Three-year and one-year capital appropriations

To facilitate the delivery of large capital projects, section 16(3) of the MFMA allows a municipality to appropriate capital budgets for three financial years, i.e. the budget year and the following two years of the MTREF. The aim of such multi-year capital appropriations is to:

- lock the council into funding the full cost of large capital projects so as to ensure their successful completion;
- facilitate the forward planning of capital projects and programmes; enable the municipality to initiate procurement processes for capital projects in the two outer years of the MTREF (given the funds are appropriated) and so ensure improved levels of capital spending; and
- enable funding for such capital projects to be brought forward in terms of section 31 of the MFMA to facilitate more rapid project implementation (although National Treasury would prefer municipalities to the use of the mid-year adjustments budget for this purpose).

Municipalities are encouraged to use these provisions of the MFMA appropriately, and ensure they divide their capital budgets correctly between the 'multi-year expenditure' and the 'single year expenditure' sections on Tables A5A and A5. Further information can be obtained in MFMA Circular No. 58.

2.9. Criteria for the release of the Equitable Share

The criteria for the release of the equitable share which were covered in MFMA Circulars No. 122 remains relevant, and are still applicable for the release of equitable share instalments in the 2025/26 financial year.

Failure to comply with the criteria will result in National Treasury invoking Section 38 of the MFMA which empowers National Treasury to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(2) of the Constitution which includes reporting obligations set out in the MFMA and National Treasury requests for information in terms of Section 74 of the MFMA.

2.10. Criteria for the rollover of conditional grant funds

In terms of Section 21 of the Division of Revenue Act, 2024 (Act No.24 of 2024) (DoRA) in conjunction with the Division of Revenue Amendment Act, 2024 (Act No. 48 of 2024), any conditional allocation or a portion thereof that is not spent at the end of the 2024/25 financial year reverts to the National Revenue Fund (NRF), unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and national transferring officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When requesting a rollover in terms of Section 21(2) of the 2024 DoRA, municipalities must include the following information with their submission to National Treasury:

1. A formal letter, signed by the accounting officer addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of Section 21(2) of the 2024 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated, spent and the balance 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 service provider was appointed for delivery of the project before 31 March 2025; or
 - b) Proof of project tender and tender submissions published and closed before 31 March 2025 or with the appointment of contractor or service provider for delivery of service before 30 June 2025 in cases where additional funding was allocated during the course of the financial year of the project;
 - c) Incorporation of the Appropriation Statement; and
 - d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2025 (attach cash flow projection for the applicable grant).
4. A progress report (also reflecting 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 on the original allocation per the DoRA;
 7. Rollover of rollovers will not be considered. Municipalities must therefore not include previous year's unspent conditional grants as rollover request;
 8. An indication of the time period within which the funds are to be spent if the rollover is approved; and
 9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy; this also includes acting appointments because of suspensions of either MM or CFO that are more than 12 months.

If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2025, the application will be declined.

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

1. Compliance with the in-year reporting requirements in terms of Sections 71 and 72 of the MFMA and Section 12 of the 2024 DoRA, **including the Municipal Manager and Chief Financial Officer signing-off on the information** sent to National Treasury;
2. Submission of the pre-audited Annual Financial Statements to National Treasury by 31 August 2025;
3. Accurate disclosure of grant performance in the 2024/25 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. Despite the fact that local government is required to comply with different norms and standards prescribed by different legislations, municipalities are expected to fully comply with the provisions of DoRA that relate to rollover processes and disclose conditional grant performance in the 2024/25 pre-audited Annual Financial Statements (i.e. Cash coverage and unspent conditional grants in the Statement of Financial Position) in order to verify grant expenditure; and
5. Cash available reflected in the Statement of Financial Position and Cash Flow Statements and the bank (net position including short term investments) as at 30 June 2025 is equivalent to the unspent amount at the end of the financial year. If the amount that is requested for rollover is not entirely cash-backed, such a rollover will not be approved. National Treasury will also not approve portions of rollover requests.

It should be noted that under no circumstances will the National Treasury consider requests to rollover:

1. The entire 2024/25 allocation to the municipality. In cases where the rollover request is more than 50 per cent of the total allocation, National Treasury will approve the rollover amount up to 50 per cent of the 2024/25 allocation;
2. Rollover request of the same grant for the third consecutive time. In a case where a municipality is applying for rollover as a result of additional funding, the application will be carefully considered;
3. Funding for projects procured through Regulation 32 and 37 of the Municipal Supply Chain Management Regulations (Gazette No.27636) – Projects linked to additional funding and disasters are exempted; and
4. A portion of an allocation where the proof of commitment for the rollover application is linked to invoices that were issued before or on 31 March 2025. All invoices issued to the municipality before 31 March 2025 should be paid within the same year against the allocated conditional grants. i.e. invoices must be paid within 30 days.

2.11. Unspent conditional grant funds for 2024/25

The process to ensure the return of unspent conditional grants for the 2024/25 financial year will be managed in accordance with Section 21 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

- Step 1: Municipalities must submit their June 2025 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 reconciles;
- 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 2025. The unspent grant values must be determined based on the guidance that was provided in mSCOA Circular No. 13 in as far as VAT, retention and interest is concerned; and
- Step 3: If the receiving officer wants to motivate in terms of Section 21(2) of the 2024 DoRA that the unspent funds are committed to identifiable projects, the rollover application pack must be submitted to National Treasury by no later than 31 August 2025.

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 2025;
- Step 5: National Treasury will communicate the unspent conditional grants amount by 12 November 2025. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund (NRF) by 19 November 2025; and
- Step 6: Any unspent conditional grant funds that should have but has not been repaid to the National Revenue Fund (NRF) by 19 November 2025, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's December 2025 equitable share allocation.

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

2.12. Rollover of the Urban Development Financing Grant : metro trading services component

The normal rules regarding rollovers will apply to the incentive grant. Essentially the Budget allocated during the National MTEF and reflected in the annual Division of Revenue Bill will make provision that the cash flows be synchronised to achievements in line with the Annexure A3: Performance Improvement Action Plan (A3: PIAP).

Municipalities must submit all rollover applications and queries related to the conditional grants to Rolloverapplication@treasury.gov.za.

3. Revenue Management

3.1. Prioritise funding the Electricity Revenue Protection Program

Past years' increasing electricity tariffs continue to strain consumers' ability to afford this service. Municipalities as a result are at higher risk of non-technical losses particularly related to theft and illegal by-passing. Many municipalities do not have dedicated Revenue Protection staff in place or have reduced their operational funding for Revenue Protection culminating in an overall reduced collection and related strain on cash flow and the ability to pay creditors. Municipalities are advised to prioritise the following Revenue Protection measures in the 2025/26 and future MTREFs:

- A dedicated Revenue Protection Unit for Electricity administered by the senior manager responsible for the municipal Electricity Infrastructure Directorate taking into consideration the recommendations and standards the recommendations and standards set-out in NRS055 (Code of Practice for Revenue Protection);
- Allocating adequate funds in the budget to fund the municipality's Electricity Revenue Protection Unit's operational needs;
- In allocating funding, the business threat of increasing non-technical losses to the municipality's particular specifics must be considered to achieve a balance, while ensuring the Revenue Protection staff organogram and operational program is adequately funded and able to fulfil its role; and
- The municipality to demonstrate in its MTREF submission that a percentage of the revenue from the Energy function is ring-fenced to fund the municipal Revenue Protection Program operational need(s) towards developing the program to fruition.

3.2. Revenue Management Assessment Tool

Every municipality, in anticipation of the annual budget process and the review of critical revenue management related policies should assess and review its revenue management value chain to identify any gaps, duplications and / or inefficiencies for alignment with the approved organogram and related delegations. Refer to MFMA Budget Circular No. 126 (Annexure B: Submission checklist: Revenue Management Documents) and MFMA Budget Circular No. 128 (Item 7.3 contained in Annexure A). The municipality must submit its review to the National Treasury in the format of the Municipal Revenue Management Assessment Tool – to be uploaded to the National Treasury GoMuni upload portal annually as part of the Revenue Management Documents that are required.

The Revenue Assessment Tool was developed through the collaboration of the National Treasury, the Department of Cooperative Governance (DCoG) and SALGA. The initiative created the opportunity for stakeholders to acknowledge the fragmented and diverse nature of support provided to municipalities in this area often resulting in duplicated efforts and little

systemic change across municipalities and the need for a Single Integrated Revenue Management Framework (SIRMF).

The SIRMF is a national framework for revenue management that guides and outlines the intervention and leadership role both municipalities and oversight bodies should play in addressing challenges relating to the revenue management value chain and ultimately financial sustainability. The SIRMF emphasises the significant role of National and Provincial Government in supporting municipalities in the process of revenue management improvement and how the relevant departments will coordinate their support and their monitoring and evaluation role(s).

The SIRMF was designed on the existing statutory framework, with an emphasis on compliance. Within the scope of related tasks and responsibilities, the SIRMF provides direction on how municipalities may enhance revenue management as a major approach for increasing the municipality's viability and sustainability. Completing the Municipal Revenue Assessment Tool can assist the municipal council, senior management team and oversight bodies to assess, understand and improve critical revenue management practices of the municipality.

The tool provides an indication of gaps, flaws, duplications, inefficiencies and risks in the existing revenue value chain that could compromise or affect whether the revenue component of the budget sufficiently caters for long-term planning and is credible and funded. It further provides a comprehensive overview of current revenue management processes by identifying strengths, weaknesses, and areas that need improvement. The tool focuses on eighteen (18) critical areas within the revenue management value chain and helps pinpoint specific areas for optimising revenue collection processes.

National Treasury is in the process of institutionalising and implementing the tool, this includes conducting training throughout provinces.

The tool is comprehensive and must be completed by all municipalities during the 2025/26 MTREF with a thorough review of the revenue value chain, thereafter this exercise will only be necessary in every alternate year. However, municipalities with revenue collection rates below 85 per cent and all municipalities participating in Debt Relief must annually undertake this exercise until they achieve an average annual collection of 95 per cent as outlined in MFMA Circular No. 71.

The tool was already rolled out during the 2024/25 financial year and the National Treasury provided training. The Municipal Revenue Assessment Tool is attached as **Annexure A** of this Circular.

3.3. Cost Reflective Tariff Tool

As part of the budget process, the municipality must annually undertake an assessment to determine if the intended / implemented tariffs are cost reflective, whether all critical cost components were considered in the tariff calculation(s), whether the Local Government Equitable Share component relating to basic services were allocated to the actual service(s) and to demonstrate that the Revenue Component of the budget is credible and funded; etc. To facilitate this exercise, the municipality must complete and submit this calculation(s) / tariff assessment in the format of the National Treasury Tariff Tool as part of its tabled, adopted and adjustment MTREF submissions to the National Treasury GoMuni portal. The Cost Reflective Tariff Tool outcomes must also be reported to and approved by Council as part of the respective tabled and adopted MTREF submissions.

If the Tariff Tool indicates significant tariff shortfalls, any major tariff increases should be phased-in over two to three years and can be approved for the outer years (2026/27, 2027/28 and 2028/29). Thus, the indicative tariffs can be phased in over a period of three years.

The latest format of the National Treasury Tariff Tool that must be used and submitted is attached as **Annexure B** of this circular.

3.4. Electricity Tariffs

Cost of Supply Study (COS) for electricity tariff applications

On 20 October 2022, the Nelson Mandela Bay Chamber of Business issued a ruling outlining the requirements that municipalities must comply with when determining tariffs. The ruling found NERSA's Guideline and Benchmark method for approving municipal electricity tariffs unlawful and invalid. The court ordered that all electricity tariff applications from 2024/25 Financial Year, should be supported by a Cost of Supply (COS) study. Municipalities are reminded of the critical importance of complying with the court order, failing which, municipalities would be in breach of the court order and in contempt of court. The need for conducting a COS timeously and adhering to the timelines set by NERSA for the submission of applications is imperative as these cannot be approved by NERSA without the COS.

NERSA has indicated that it will be able to process and decide on municipal tariff applications based on Cost of Supply (COS) studies for the financial year 2025/26 by the end of June 2025 for the implementation in the new Financial Year. However, the Minister of Finance will engage NERSA to conclude this process sooner, to allow municipalities sufficient time to take account of the approved tariffs in the finalisation of their budgets. Tariff applications will not be considered unless they are supported by a Cost of Supply study. NERSA has indicated that the approval of Eskom's Retail Tariff Plan (RTP) and Eskom's Retail Tariff Structural Adjustment (ERTSA) for FY2025/26 is anticipated prior to 15 March 2025. Following the ERTSA decision, municipalities will be informed of the outcome to assist them in formulating their individual tariffs, which will then be approved for implementation in FY2025/26.

From the 2025/26 MTREF, municipalities will be required to submit the following documents pertaining to electricity tariff applications to the GoMuni Upload portal:

- NERSA D Form and COS study submitted to NERSA. For the 2025/26 tariff increase, municipalities with the tabled budget and thereafter 31 October 2025 (i.e. applications pertaining to 2026/27 tariff increases and beyond); and
- NERSA tariff approval with the tabled budget.

3.5. Municipal Valuation Roll Reconciliation Tool

Reference is made to MFMA Circulars No. 93 (paragraph 3), No. 98 (paragraph 4.1), No. 123 (paragraph 5.1), and particularly No. 126, (paragraph 3.1). To ensure the municipality's rates base is complete, and aligns to the business process and system requirements articulated in Annexure B of MFMA Circular No. 80 (08 March 2016) and the Municipal Property Rates Act (MPRA) (section 23): Part A: Register of the latest consolidated general valuation roll (GVR), and the MPRA categories, the municipality need to monthly perform the reconciliation in the format of the National Treasury Municipal Valuation Roll Reconciliation Tool.

The municipality must submit the completed tool together with the related documentation to the National Treasury GoMuni portal as follows:	Timeframe
1. The municipality's list of Property Rates tariffs approved by council for the financial year reported on together with the Council resolution that approved such.	Annually

2.	The municipality's time schedule for implementing its new general valuation roll (GVR) (aligned to the MPRA).	Annually
3.	The Municipal Property Rates Act (MPRA) (section 23): Part A Register of the latest consolidated general valuation roll (GVR).	Annually
4.	Municipality Valuation Roll Reconciliation – undertake monthly but only required to submit quarterly.	Quarterly
5.	Property Rates Transaction List (for the 3rd month of every quarter).	Quarterly

To assist municipalities in complying with these requirements, the National Treasury will provide follow-up training.

3.6. Prohibition on vending system(s) / third party vending solutions without consulting the National Treasury

Recently there have been several iterations on private service offerings of vending system(s) / solution(s) offered to municipalities. These include service provider(s) funding metering solutions for municipalities parallel to a pre-paid solution (requiring a vending platform) – these service providers then collect on behalf of the municipality in exchange for a fee. However, in several cases, the service provider does not pay over to the municipality what is collected and / or claim a fee that is out of proportion to what is reasonable. This is worsened by many municipalities not weekly / monthly undertaking the appropriate reconciliation of what they provide / sell (also via pre-paid) against what revenue they receive in return from the service provider(s). *As an Example:* Most recently a municipality in Eastern Cape was victim to an arrangement where the service provider offered the municipality R60 million funding but will takeaway almost R540 million at the end of the arrangement causing significant harm to the community and official(s) of that municipality and may leave the municipality worse off than initially.

The MFMA, read together with the recently assented Public Procurement Act, provide a clear framework for procurement in local government. The MFMA regulatory framework in terms of section 116 read with MFMA Circular No. 62 furthermore provide clear guidance on how amendments to contracts should be undertaken. Any offerings beyond the initial scope of the contract, in our view, should not be considered as a contract amendment, but rather a change or extension of scope, which warrants a whole new or separate procurement process.

The National Treasury therefore confirms that with immediate effect, no municipality may enter into and / or extend any related vending system(s) / solution(s) without consulting and obtaining the written input of the National Treasury and the relevant Provincial Treasury. Should any municipal official and / or political office bearer fail to honour this prohibition, she/ he could render themselves personally liable for any related financial loss over and above potential criminal liability for financial misconduct.

In addition, third party vending solutions used by municipalities must align to the integration requirements set out in Annexure B of MFMA Circular No. 80 (08 March 2016). In terms of the requirements, third party solutions must, without (manual) intervention or manipulation, integrate and constantly balance with the core financial system solution. The rules for integration are determined by vendor of the core system solution. Where the core system solution already provides the necessary functionality offered by the third-party vendor and the municipality has already paid for the functionality and / or are paying annual licencing fees to access this functionality, such expenditure will constitute wasteful and fruitless expenditure and should be dealt with accordingly.

The municipality should send any request for the written input of the National Treasury together with the signed and / or proposed contract for such a service offering to: both RevenueManagement@treasury.gov.za and mfma@treasury.gov.za for the attention of Mr. Sadesh Ramjathan, Director: Local Government Budget Analysis: Revenue Section, and Mr. Wayne McComans, Chief Director: MFMA Implementation and parallel to the relevant Provincial Treasury.

3.7. Training Tools by the National Treasury

Revenue Management Assessment Tool

Municipalities must submit the Revenue Management Assessment Tool annually as set-out above. Training was already undertaken across all provinces during the 2024/25 financial year. The National Treasury will facilitate follow-up training during 2025/26 upon request only to municipalities, provincial treasuries and technical advisors deployed to municipalities and provincial treasuries. Municipalities and provincial treasuries can request training via the relevant Provincial Treasury who is responsible to coordinate requests for training. It is noted that any National Treasury deployed technical advisor may directly request training from the National Treasury as may be required. Requests for training and any related queries must be directed to RevenueManagement@treasury.gov.za and Sadesh.ramjathan@treasury.gov.za for the attention of Mr. Sadesh Ramjathan.

Tariff Tool

Municipalities must undertake a tariff assessment in the format of the National Treasury Tariff Tool as explained above. The National Treasury will facilitate follow-up training during the first quarter of the financial year 2025 and thereafter upon request only to municipalities, provincial treasuries and technical advisors deployed to municipalities and provincial treasuries. Training must be scheduled for a **full day** and would be more relevant towards municipal processes if scheduled:

- Before and/ or during the **Adjustments Budget preparation** (for re-allocations);
- Before and/ or during the **Tabled Budget process** (to evaluate tariff changes); or
- Before the **final MTREF submission** to Council for approval.

Municipalities and provincial treasuries can request training via the relevant Provincial Treasury. Any National Treasury deployed technical advisor may directly request training as may be required. Requests for training and any related queries must be directed to RevenueManagement@treasury.gov.za and Sadesh.ramjathan@treasury.gov.za for the attention of Mr. Sadesh Ramjathan.

Municipal Valuation Roll Reconciliation Tool

The National Treasury confirms the guidance already provided in MFMA Circular No. 129 to the effect that municipalities must reconcile valuation rolls monthly and submit such quarterly to the National Treasury together with the related documentation set-out above.

The National Treasury will facilitate follow-up training during the first quarter of the financial year and thereafter upon request only to municipalities, provincial treasuries and technical advisors deployed to municipalities and provincial treasuries on Municipal Valuation Roll Reconciliation Tool. Training must be scheduled for at least **two full days** and can be facilitated at any time since municipalities perform this task monthly. Municipalities and provincial treasuries can request training via the relevant Provincial Treasury. Any National Treasury deployed technical

advisor may directly request training as may be required. Requests for training and any related queries must be directed to RevenueManagement@treasury.gov.za and Sadesh.ramjathan@treasury.gov.za for the attention of Mr. Sadesh Ramjathan.

4. Budget and other management issues:

4.1. 2025/26 Municipal Budget Tabling Timelines

The National Treasury would like to advise the municipalities that late tabling of the 2025 National Budget in Parliament does not really affect the timelines of the preparations/ conclusion of the municipal budget process. The 2025 National Budget was tabled by the Minister of Finance on 12 March 2025 which implies that Provincial Governments have two weeks thereafter to table the 2025 Provincial Budgets in the Provincial Legislatures, i.e. 31 March 2025. This is in line with the PFMA – Treasury Regulations. Municipalities have sufficient time to accommodate the allocations in the DOR Bill in their 2025/26 MTREF Budgets before tabling on 31 March 2025, that is 19 days or two weeks to table the budget before 31 March 2025.

The transfers from provinces to municipalities which are supposed to be included in provincial budgets and gazetted by provinces, should for all practical reasons also be available on the 27 March 2025. Given that municipalities have 10 months to prepare their upcoming budgets prior to tabling it in Council for consideration, National Treasury has previously advised municipalities to use the outer years of the Annual DoRA as projections, add inflation to calculate the third year of the MTREF, when finalising the tabled budget.

For those municipalities where the budgets were already in an advance stage of preparations, they will have between tabling and the adoption stage of the budget (end of May 2025) to include and accommodate all the transfers for both national and provincial governments. This will allow National and Provincial Treasuries to verify and reconcile the transfers with the DoR Bill and provincial Gazettes.

4.2. Management of Water Tankers

There is a growing trend of water challenges in most municipalities in the country which is spiraling out of control. This is a direct threat to municipalities' financial sustainability and could lead to a lack of trading in this key source of municipal revenue.

Most municipalities have tried to procure water tankers to close the gap in areas which are increasingly experiencing sporadic water supply challenges. As a result, the municipalities are not able to trade, leading to less revenue and an unprofitable water business.

It has emerged in the recent Mid-year Budget and Performance Review engagements that contracted water tankers have developed as a business rather than a stop gap measure.

As such, municipalities are encouraged to protect their revenue through avoiding protracted long contracts of water tankers. Where possible the municipality should use its internal water tankers as a temporary measure with a clear intention to restore the service.

If the municipality provides a long-term service, such as water for informal settlements, it is advised that tanks should be purchased and refilled with municipal water tankers. The aim should always be to strike a balance between the provision of service and protecting municipal revenue. Proper checks and balances must be considered as well as internal controls to avoid abuse in this regard and to ensure that in the event that the Office of the Auditor General Africa of South investigates these services, the use of water tankers and water tanks is based on sound business principles.

4.3. Asset Management

According to Municipal Budget and Reporting Regulations (Table A9), the municipalities were advised to allocate 60 per cent of the total Capital Expenditure budget to new acquisition while the remaining 40 per cent to renewal and upgrading of the new assets.

Given the current challenges of aging and dilapidated infrastructure faced by the municipalities, which contributes to high level of losses, municipalities are advised **to allocate at least 60 per cent** of the capital expenditure to renewal/ upgrading of the existing assets while 40 per cent should acquire new assets.

The National Treasury realised that year-on-year, municipalities priorities the acquisition of new assets and the existing assets are being neglected to a dilapidated condition. Another factor which causes a factor is lack of maintenance during the lifespan of the assets which National Treasury encourages the municipalities to allocate at least 8 per cent towards repairs and maintenance as outlined in MFMA Circulars No. 55 and 71.

5. Municipal Standard Chart of Accounts (*mSCOA*):

5.1. Go Live on Version 6.9 of the Chart

mSCOA version 6.9 will go live on 24 March 2025, whereafter municipalities will be able to upload their tabled budget (TABB) and tabled project files (PRTA) data strings for the 2025/26 MTREF on the GoMuni portal.

After going live on version 6.9 of the chart, all the reports available on the LGDRS will be aligned to *mSCOA* chart version 6.9. This includes the format of the Section 71 report for Q3 and Q4 of 2024/25 and the adjustments budget for 2024/25.

The Municipal Budget and Reporting Regulations (MBRR) Schedules (A to F) and non-financial data string (A1S) was also aligned to version 6.9 of the chart. A **protected** version of the MBRR Schedules for version 6.9 of the chart and A1 Schedule is available on the on the MFMA Webpage on the link below:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx>

The reports on the Local Government and Reporting System (LGDRS) are populated from financial and non-financial data strings and both strings are required for the data to pull through correctly on the reports available on the LGDRS. Municipalities must use the linkages on GoMuni referred to above and not the formulas in the regulated Municipal Budget and Reporting (MBRR) Schedules when generating their A schedule from the financial system.

In terms of the *mSCOA* Regulations, municipalities must generate the regulated MBRR schedules that is tabled and adopted by Council directly from their integrated financial system solutions and not import or captured it on their system solutions at a later stage. This is necessary to ensure that there is 'one version of the truth', namely the data in the integrated financial system solutions is the same as the report tabled and adopted by Council and the information submitted to the National Treasury and other stakeholders.

5.2. *mSCOA* data strings credibility

Municipalities must verify the credibility and accuracy of the tabled budget (TABB) and project file (PRTA) data strings **prior and post** to uploading it to the National Treasury Local Government Database and Reporting System (LGDRS). These data strings will be the sole source used by National and Provincial Treasuries to analyse and determine if the municipality's budget is funded, and the credibility is therefore of utmost importance.

Registered users from municipalities, provincial treasuries and National Treasury have full access to their data on the LGDRS and can draw the information to verify the accuracy of the figures for their respective municipalities or province (in the case of provincial treasuries). The LGDRS reports can be accessed by registered users on the following link:

https://lg.treasury.gov.za/ibi_apps/signin

5.3. Submission of virement information

From the 2025/26 MTREF, municipalities will be required to report on their virements through the submission of a separate data string, as well as a report on virements done by the municipality. This submission must be done monthly to the GoMuni Upload Portal and should be generated from the core financial system. The validation rules applicable to the monthly IYM submission will also be applied to the virement data strings.

The attached **Annexure D** provides guidance on the layout and information required on the virement budget report, while **Annexure E** provides the layout of the virement data strings.

This will enable national and provincial treasuries to keep track of the virements done when they do their Section 71 analysis. The virements will be reflected in a separate report and will not form part of the consolidated Section 71(7) reporting to provincial legislatures or the consolidated Section 71 publication issued by the National Treasury. For the consolidated S71 reporting and publication, performance will only be compared to the adopted budget in the first eight months of the year and the adjustments budget in the last four months of the year.

Municipalities must review their virement policy annually and ensure that it aligns with the principles and guidance in MFMA Circulars No 12, 51 and 88 and *mSCOA* Circular No. 8 (29 April 2020). Virements may only be made between existing budget provisions and must be included in an adjustments budget. The Council approved virement policy must be submitted as part of the budget documents on Go Muni. Please note that documents must be submitted individually and not as a batch.

5.4. Medium-Term Development Plan (MTDP)

Cabinet has recently approved the Medium-Term Development Plan (MTDP) for 2024 to 2029. The Department of Planning, Monitoring and Evaluation (DPME) will issue the MTDP in due course. These revised priorities, reflecting the new administration's vision, will be integrated into *mSCOA* version 6.10. For *mSCOA* budgeting and reporting in the 2025/26 MTREF, municipalities should continue using the IUDF and MTSF priorities as per *mSCOA* version 6.9.

5.5. Upgrading and procurement of *mSCOA* system solutions and/or functionality

From March 2023, the National Treasury has alerted municipalities that the minimum business processes and system specifications for *mSCOA* will be regulated and that municipalities should exercise extreme caution when changing or upgrading their integrated financial system solutions to avoid procuring system functionality that might not comply with the said regulations. Municipalities are reminded to implement the due diligence processes set out in MFMA Budget Circulars No. 93, 98, 107, 112, 123 and *mSCOA* Circulars No. 5 and 6 **prior** to procuring new or upgrading system functionality to protect them from making incorrect decisions in this regard.

This also applies when 3rd party system functionality is procured that is required to integrate with the core system solution.

Importantly, if an open tender process is not followed (e.g. when Section 33 or 116 of the MFMA and SCM Regulations 36 (deviations) are utilised), **the market must be tested prior to embarking on procurement**. The municipality must be able to substantiate that the product, service or similar offering is not available elsewhere in the market at a cheaper cost and that using these procurement vehicles have significant economic or financial value benefits to the municipality. Where legislation requires that the views of the National Treasury must be sought, the relevant documentation must be emailed to mfma@treasury.gov.za. If the processes required in term of legislative are not followed, a contract might be found invalid by a court of law.

5.6. Issues pertaining to the regulations on the minimum mSCOA requirements

National Treasury is currently in the process of developing business processes, standard operating procedures (SOPs) and minimum system specifications to underpin the Regulations of the minimum business processes and system specifications for mSCOA.

All the required business processes, procedures and systems functionality pertaining to the Regulations will be made available to municipalities **at no cost** in a format that can be imported, customised and utilised in a process modelling tool of their choice. Municipalities are cautioned against incurring unnecessary expenditure to procure specialised software and tools or appoint service providers to adapt and customize their business processes, especially as the requirements have not been finalised yet.

It must further be emphasized that the documents released for comments on the MFMA Webpage are the sole property of the National Treasury and may only be used for the intended purpose of providing comments on the proposals. **Any company that sells or distributes these documents or parts thereof for any other purposes without the explicit written permission of the National Treasury will be blacklisted on the basis of Intellectual Property Violations (i.e. unauthorized distribution of government documents).**

It should also be noted that the intention of the recent demonstrations on the systems used by municipalities that was conducted by the National Treasury was to determine key implementation gaps as per MFMA Circular No. 80 (dated 08 March 2016). These gaps must be addressed by the respective municipalities in their mSCOA municipal road maps. National Treasury shared the observations with system vendors with a view that gaps in system functionality should be further explored and addressed by them. The demonstrations were not on any specific systems in the market but on modules used by a specific municipality to give effect to the requirements of MFMA Circular No 80. **It will therefore be unacceptable and a misrepresentation for any system vendor to claim that their respective system was found compliant by the National Treasury.**

5.7. Special adjustments budget to authorise unauthorised expenditure

In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustments budget **may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the MFMA**. This process may not be used to condone poor planning, budgeting, or financial management after the adoption of the budget.

Detailed guidance in this regard was provided in MFMA Circular No. 68 (dated 13 October 2021).

Further development work with regard to this matter will be undertaken during 2025 and proper guidance will be provided in subsequent MFMA Budget Circulars. For now, municipality should continue with the current practices until further notice. Under no circumstances should municipalities require their systems vendors to open their financial systems especially where the Auditor General of South Africa have already signed off on their annual audited financial statements.

Municipalities are also reminded of the guidance provided in our email dated 21 August 2024 on the *Submission of the 2023/24 Annual Financial Statements (AFS) – (Pre-Audit Information)* and mSCOA Circular No. 15 (08 July 2024) on the period closures controls for the following periods.

- **Month 12:** The financial year ends in month 12 (as at 30 June of the financial year). Month 12 (4th Quarter section 71 reports) represents the **preliminary outcome** information. The closing balances of month 12 must be programmatically transferred in the core financial system to the opening balances of the new financial year in month 01 of the new reporting period;
- **Period 13** when the AFS are prepared during July and August annually. Period 13 represents the **pre-audit outcome** information (the AFS as submitted to the AG);
- **Period 14** represents the **audit outcome** information (the AFS on which the AGSA has expressed an opinion. Audit approved journals must be processed in period 14; and
- **Period 15** when the adjustments to the AFS following the approval of the adjustments budget to authorise and legalise unauthorised expenditure referred to in Regulation 28(6) of the MBRR is effected.

The AFS submitted to AGSA must reconcile with the pre-audited (PAUD, CRPA and DBPA), audited (AUDA, CRAU, DBAU) and restated (RAUD) data strings submitted to the GoMuni Upload portal and these data strings must be submitted as end-results and NOT movements when submitting the mSCOA data strings. Importantly, any transactions that were processed as part of the preparation and auditing of the AFS after year-end (month 12) in period 13, 14 and 15 must be reflected in the corresponding month of the new financial year by using net movements. The net movements will result in either an increase or decrease in the new financial year in the corresponding month of month 01 to 03 of the current financial year. E.g. changes in period 13 must be reflected in month 02 or 03 of the new financial year. A similar process is applicable when restatements of previous financial year figures occur and when material errors are identified which impacts on the previous years' AFS and must be corrected in period 15.

With regards to year-end information, the aim is to collect three sets of information (preliminary, pre-audited and audited). This ensures that the latest outcome information is always available to inform planning and budget decision making process for national, provincial and local government.

6. Submitting documents to the GoMuni Upload Portal:

6.1. Submission of additional reports

In addition to the virement policies that must be uploaded to GoMuni Upload portal from 01 July 2025, the following changes pertaining to document submissions to the GoMuni Upload portal must be noted:

Uploading of Section 41 Reports on prices and payments for bulk resources

From the 2025/26 MTREF, the Department of Water and Sanitation, Eskom, and Water Boards will be required to upload their monthly Section 41 reports on the GoMuni Upload portal to enhance transparency and oversight. This will replace the current email submission process. Training on the upload procedure will be provided to all relevant stakeholders to ensure a smooth transition.

Municipal Procurement Plans

MFMA Circulars No. 62 (dated 20 August 2012) and 94 (dated 08 March 2019) requested for the submission of annual municipal procurement plans. From the 2025/26 MTREF, municipalities will be required to upload their annual procurements plans in PDF format on the GoMuni Upload portal. These plans should encompass comprehensive information on planned procurements, estimated costs, and the proposed procurement strategies. Both draft and final procurement plans should be submitted with the annual tabled and adopted budget documentation.

Revenue related and debt relief documentation

All municipalities are required to annually upload the Revenue Management related documents as per the Document Submission Checklist attached as **Annexure C** to the GoMuni Upload Portal. These documents must be submitted in the specified format and within the timeframes indicated. Also note that items 15 and 17 in **Annexure C** are only relevant to Municipal (Eskom) Debt Relief participants and item 19 to both Municipal (Eskom) and Water Debt Relief participants. In relation to items 15, 17 and 19, all other municipalities must submit a "Not Applicable" form to prevent these items reflecting as outstanding.

6.2. Submission and sign-off of key tabling dates

In the past, the National Treasury requested information on an annual basis from municipalities on the actual tabling dates of legislated processes such as the various budget processes, AFS and Annual Report. This information was submitted through an excel spreadsheet. From 01 July 2025, municipalities will be required to enter the legislative tabling dates directly on the GoMuni portal, replacing the manual spreadsheet process.

Additionally, the Accounting Officer of each municipality will be required to sign-off on the accuracy of the captured dates on the LGDRS.

Further guidance on the submission and sign-off procedures will be provided in due course.

7. The Municipal Budget and Reporting Regulations:

7.1. Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury officials:

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553/ 0609242914	Matjatji.Mashoeshoe@treasury.gov.za
Buffalo City	Pitso Zwane	012-315 5171	Pitso.Zwane@Treasury.gov.za
	Mandla Gilimani	012-315 5807/0661198036	Mandla.Gilimani@treasury.gov.za

Free State	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Matjati Mashoeshoe	012-315 5553	Matjati.Mashoeshoe@treasury.gov.za
City of Tshwane and City of Johannesburg	Pitso Zwane	012-315 7538	Pitso.Zwane@Treasury.gov.za
	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
City of Ekurhuleni	Kgomotso Baloyi	012-315 5866/082 887 2968	Kgomotso.Baloyi@treasury.gov.za
	Lunathi Dumani		Lunathi.dumani@treasury.gov.za
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Lunathi Dumani		Lunathi.dumani@treasury.gov.za
eThekweni	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
uMhlathuze	Sifiso Mabaso	012-315 5952/060 923 7343	Sifiso.mabaso@treasury.gov.za
	Matjati Mashoeshoe	012-315 5553/060 326 6885	Matjati.Mashoeshoe@treasury.gov.za
	Pitso Zwane	012 315 7538	Pitso.Zwane@Treasury.gov.za
Limpopo	Sifiso Mabaso	012-315 5952/060 923 7343	Sifiso.Mabaso@treasury.gov.za
	Jabulile Ngwenya		Jabulile.ngwenya@treasury.gov.za
Mpumalanga	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Northern Cape	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
North West	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Mafikeng	Khanyisile Khoza		khanyisile.khoza@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Western Cape	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Khanyisile Khoza	012-315 5385	khanyisile.khoza@treasury.gov.za
	Kgomotso Baloyi	012-315 5866/082 887 2968	Kgomotso.Baloyi@treasury.gov.za
Cape Town	Sifiso Mabaso	012-315 5952/ 060 923 7343	Sifiso.Mabaso@treasury.gov.za
George			
Technical issues on GoMuni	Data management		lqdataqueries@treasury.gov.za
Local government Conditional Grants			Sello.mashaba@treasury.gov.za Pretty.mavhungu@treasury.gov.za Marvin.ngobeni@treasury.gov.za Akanyang.modise@treasury.gov.za Sandra.adams@treasury.gov.za

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JH Hattingh

Chief Director: Local Government Budget Analysis

19 March 2025

QUALITY CERTIFICATE

I, **TM MASHABELA**, Municipal Manager of **Victor Khanye Local Municipality, MP311**, hereby certify that the draft annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the draft annual budget and supporting documents are consistent with the Development Plan of the Municipality.



TM Mashabela

Municipal Manager

Victor Khanye Local Municipality (MP311)