

# FINAL BUDGET

2025/2026 - 2027/2028



**VICTOR KHANYE  
LOCAL MUNICIPALITY  
MP311  
29<sup>TH</sup> MAY 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.

## VICTOR KHANYE LOCAL MUNICIPALITY



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## EXECUTIVE SUMMARY ON THE 2025/2026 to 2027/2028 FINAL BUDGET

### Report by the Chief Financial Officer

1. The Draft Budget for the 2025/2026 financial year has been used as a measure when compiling the Final Budget for 2025/2026. The Final Budget has been prepared in terms of National Treasury format.
2. National Treasury issued Municipal Finance Management Act (MFMA) circular numbers 129 to guide the compilation of the 2025/2026 medium term revenue and expenditure framework (MTREF).
3. The 2025 national budget emphasized that economic growth has been weaker than forecasted and the CPIX is 4.4 per cent in 2025, in 2025/26, the decrease is 0.2% and in 2026/27 the decrease is 0, 1%, the CPIX will be consistence with the 2025/26 financial year estimated at 0.2%. The 2025/26 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.
4. **The high unemployment rate have impact on the municipality's ability to generate revenue. 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 2024 and January 2025 cut in interest rates. 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.**
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 experienced during the compilation of the 2025/2026 MTREF can be summarized as follows:
  - The increase in unemployment within the municipality due to the slow growth in the economy.
  - 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 due to the current economic environment and the implication of lockdown.
  - 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 financial viability status in order for the municipal services to be provided economically and sustainability. **The current municipality liquidity ratio is 0:18**
10. The mSCOA regulation will apply to all municipalities with effect from 1<sup>st</sup> July 2017 and the 2024/2025; MTREF budget has been aligned to the new mSCOA chart version 6.9. The chart will be stream lined and further developed as transactions take place.
11. National Treasury has issued MFMA Circular No. 124 which deals with the debt relief specifically on municipalities that are owing Eskom. Circular 124 is attached as Annexure "D". The municipality is currently participating in Circular 124 or debt relief programme which seeks to write off part of the Eskom debt. Since the inception of the programme, the municipality is struggling to meet some of the important conditions. The following are the conditions that have not been met and might invoke removal of the municipality from the programme.
- Condition 6.3 – Maintaining of the bulk purchases for the current account. The municipality has not paid the current account in full on electricity and water bulk purchases - Maintaining the Eskom bulk current account;
  - Condition 6.4 Compliance with funded budget. The adjustment budget for the 2024/2025 financial year was unfunded; and
  - Condition 6.7 Average collection rate. The 2025/2026 financial year was based on an 85% payment, however, as at the end of the third quarter the average payment rate was 60%.
12. The municipality is currently implementing the Budget Funding Plan. The purpose of the Budget Funding Plan is to get the municipal budget funded over a longer period. Hence the management of expenditure is extremely important. However, there is continuous engagement between the Municipality, Provincial and National Treasury to improve and fast track the implementation of these plans. Where necessary some of the strategies in the plans are revised and improved so that they are realistic and achievable.
13. The process of developing a final budget are guided by strategic plans and operational priorities of the Integrated Development Plan as well as the MTREF that sets out the expected annual revenue and the projected expenditure for the budget year under review and the two outer years.

14. The main challenges experienced during the compilation of the 2025/2026 MTREF can be summarised as follows:

- Impact of cost drivers which are bulk purchases on electricity and employee related cost;
- Aging of municipal infrastructure, while the municipality is unable to provide sufficient funding for repairs and maintenance and for renewal of assets due to budget constraints;
- Illegal electricity and water connections, properties not metered for electricity and water. High distribution losses on electricity and water.
- Maintaining a positive cash flow and a funded budget;
- Increase in employees related cost due to filling of vacant positions and also overtime and standby;
- Difficulty in implementing Credit Control Policy to Eskom supply areas; and
- High distribution losses on electricity and water.

15. This final budget has been prepared in a manner that it addresses the abovementioned challenges, although it will not completely mitigate them in this budget year but in the long term if the adopted assumptions and principles (referred to in the below paragraphs) are constantly applied it will make a positive impact.

The assumptions on which the 2025/2026 budget are based on are as follows:

- Proposed increase on employee related costs for the 2025/2026 budget year is 4,7%;
- Proposed increase on electricity tariff is 11,75% as per the MFMA Circular No.130. (Awaiting final communication on the electricity increase from NERSA);
- Reduction of distribution losses on electricity and water through reduction of theft on municipal services;
- Both incremental and zero-base budgeting were used;
- Accelerating electricity and water infrastructure reforms to ensure power and water supply within Victor Khanye municipality.

**FINAL BUDGET**  
**PART 1**  
**REVENUE MANAGEMENT**

Total operating revenue increased to R 948 495 032 from R 877 814 544 the total increase amounted to R70.6 million.

The breakdown is as follows in R'000

R thousands	1	BUDGET 2025/2026	BUDGET 2026/2027	BUDGET 2027/2028
<b>Revenue</b>				
<b>Exchange Revenue</b>	2			
Service charges - Electricity	2	246 628	257 727	269 324
Service charges - Water	2	78 691	82 232	85 933
Service charges - Waste Water Management	2	14 392	15 040	15 716
Service charges - Waste Management	2	15 318	16 007	16 727
Sale of Goods and Rendering of Services		7 231	7 556	7 896
Agency services		-	-	-
Interest		-	-	-
Interest earned from Receivables		165 255	172 691	180 462
Interest earned from Current and Non Current Assets		-	-	-
Dividends		-	-	-
Rent on Land		-	-	-
Rental from Fixed Assets		1 641	1 715	1 792
Licence and permits		-	-	-
Operational Revenue	2	806	842	880
<b>Non-Exchange Revenue</b>				
Property rates		128 920	134 721	140 783
Surcharges and Taxes		73 281	76 579	80 025
Fines, penalties and forfeits		2 235	2 336	2 441
Licences or permits	2	-	-	-
Transfer and subsidies - Operational		161 007	157 975	165 082
Interest	3	53 090	55 439	57 936
Fuel Levy	2	-	-	-
Operational Revenue		-	-	-
Gains on disposal of Assets	2	-	-	-
Other Gains	8	-	-	-
Discontinued Operations		-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>948 495</b>	<b>980 860</b>	<b>1 025 000</b>

Impact on revenue budget:

Revenue budget for the 2025/2026 financial year amounts to R948, 5 million and this reflects an increase of 7, 5% when compared to the revenue adjustment budget for the 2024/2025 financial year which amounted to R877, 8 million.

Revenue budget for outers years amounts to R980,9 million for 2026/2027 and R1,0 billion for 2027/2028 financial years.

- a) Property rates budget for the 2025/2026 financial year amounts to R128,9 million and reflects an increase of 4.2% (R5,4 million) when compared with the adjusted budget revenue of R123,4 million. Additional billed properties identified from the continuous exercise of reconciling the valuation and the financial system.
- b) Electricity remains the largest source of revenue with an amount of R246,6 million budgeted for the 2025/2026 financial year. It constitutes 26% of the revenue of the municipality. The electricity tariff has been increased by 11,7% which is in line with the percentage increase approved by NERSA for Eskom.
- c) Revenue from water budgeted for 2025/2026 amounts to R78,6 million and reflects an increase of 5.6% (R4,4 million) when compared with 2024/2025 adjusted budget of R74,2 million. The proposed increase of 4,4% (CPI) on water tariffs was included. The panel of the contractors will be covering the auditing of meters (Water and Electricity), cut-off non-paying consumers, auditing of household and business properties as well as other activities.

Through the auditing of meters, it is anticipated that more properties that are currently not billed will be identified, and this exercise will bring more revenue to municipal coffers. Should the revenue be more than the budgeted revenue then the water revenue will be revised upwards during the adjustment budget.

- d) An amount of R171,5 million has been budgeted for sanitation and has been increased with an amount of R13,5 million which is equivalent to 9%. Sanitation consumption is based on water consumption. The increase can be attributed to a yearly tariff of 4,4% (CPI) as well as revenue enhancement strategies mentioned above.
- e) Refuse budget will be increased from R13,7 million to R14,3 million in the 2025/2026 financial year. The increase on these line items can be attributed to tariffs and the implementation of Revenue Enhancement Strategies.
- f) Revenue of rental of facilities and equipment budget will increase to R1.6 million from R1,5 million. Included in the revenue for rental of facilities are revenue received from rentals of halls and municipal buildings.
- g) Interest earned on outstanding debts has increased with an amount of R6,9 million and for the 2025/2026 financial year amounts to R165.2 million. The interest is based on municipal Debtors' Book which as at the end of April 2025 was R1.1 billion.
- h) Fines and penalties will increase from R2,1 million to R2,2 million. The increase is linked to a tariff increase of 4,2%.

- i) Government Operational Grants (transfers) increased with R8 million from R152,9 million to R161 million and it constitute 17% on the total revenue. National transfers (grants) are distributed to municipalities through Division of Revenue Act.

The Equitable Share Grant is an unconditional grant assisting Municipalities to supplement their operating revenue for their operational requirements and to provide relief to indigent household.

## EXPENDITURE MANAGEMENT

Total operating expenditure has increase to **R994 017 024** from **R999 197 245** the total decrease is R5.2 million.

The breakdown is as follows in R'000

R thousands	1	BUDGET 2025/2026	BUDGET 2026/2027	BUDGET 2027/2028
<b>Expenditure</b>	4,5			
Employee related costs		211 691	220 204	230 114
Remuneration of councillors		12 146	12 693	13 264
Bulk purchases - electricity		228 174	238 441	249 171
Inventory consumed		124 623	126 915	132 626
Debt impairment	6	89 408	93 342	97 356
Depreciation and amortisation		53 279	55 676	58 182
Interest		50 000	52 250	54 601
Contracted services		128 878	128 188	133 957
Transfers and subsidies		-	-	-
Irrecoverable debts written off		31 594	33 016	34 502
Operational costs		64 224	70 598	73 774
Losses on disposal of Assets		-	-	-
Other Losses	7	-	-	-
<b>Total Expenditure</b>		<b>994 017</b>	<b>1 031 323</b>	<b>1 077 546</b>

Impact on expenditure budget:

The main reasons for the significant decrease and increase in the 2025/2026 operational expenditure budget are the following:

- a) Remuneration. The employee element of the personnel budget amounts to 21% of the total expenditure budget and on the cash flow budget 30%, which falls within the norm of between 25% - 35%.

Employee related cost is one of the main drivers. Remuneration for employee related cost increased by 4.7% from R201.8 million to R211.6 million. Increase can be attributed to proposed budgeted increase of 4.4%, broad banding and provision for vacant position critical.

Remuneration of Councillors budget has increased with an amount of R512 thousand when the budgeted Councillors remuneration for 2025/2026 of R12,1 million. For 2025/2026 a provision of 4,2% has been made for Councillors remuneration.

- b) A provision of R228,1 million was made for bulk purchases for electricity. As per MFMA Circular 130, the municipality is advised to increase bulk electricity by 12,74% which is linked to the increase granted to Eskom by NERSA.
- c) Finance charges consists primarily of interest on Eskom account. Finance charges is budgeted at R50, million which is due to interest on Eskom account.
- d) For 2025/2026 financial year an amount of R89,4 million is provided for provision of bad debts. The calculation for provision for doubtful debt is based on budgeted collection rate of 85% and also considers the revenue enhancement strategies.
- e) Inventory consumed budget for 2025/2026 financial year amounted to R124,6 million and reflects a decrease of R3,1 million. Bulk purchases for water is budgeted at R89.7 million is included under other material. Budget for bulk purchases in 2025/2026 was prepared on accrued invoices for current and previous years. The municipality is on a drive to reduce contracted services, hence more budget for inventory has been increase so that work by some contractors can be done internally.
- f) The municipality remains committed in maintaining the infrastructure an amount of R128,8 million is budgeted for contracted services for 2025/2025 financial year. Most of the budget on contracted services is for the following services:
  - Road maintenance – R11,5 million. Lot of roads were damaged during the heavy rains experienced in Victor Khanye.
  - Provision of security service for the municipality – R30 million. Ensure that municipal properties are protected.
  - Legal Advice and litigation – R4 million
  - Maintenance of electricity infrastructure – R9 million. Electricity remains a binding constraint on economic recovery of the municipality, with power interruptions that are experience, thus it is important that more budget is made available to address the dilapidating electrical infrastructure.Contracted services will be highly monitored and the use of internal resources will be encouraged. Most of contracted services will be gradually phased out, as the municipality will be capacitating and increasing own resources.
- g) Depreciation. Provision for depreciation has been informed by the Asset Register and new capital projects to be implemented in the budget year. Budget appropriation on depreciation for 2025/2026 financial year amounts to R53.2 million.

## CAPITAL BUDGET

The capital budget is **R65 245 000** including own revenue for the financial year 2025/2026. The breakdown is as follows R'000

R thousands	1	Budget 2025/2026	Budget 2026/2027	Budget 2027/2028
<b>Capital Expenditure - Functional</b>				
<i><b>Municipal governance and administration</b></i>		<b>10 550</b>	<b>17 295</b>	<b>18 073</b>
Executive and council		350	366	382
Finance and administration		10 200	16 929	17 691
Internal audit		-	-	-
<i><b>Community and public safety</b></i>		<b>500</b>	<b>784</b>	<b>819</b>
Community and social services		200	209	218
Sport and recreation		-	-	-
Public safety		300	575	601
Housing		-	-	-
Health		-	-	-
<i><b>Economic and environmental services</b></i>		<b>18 250</b>	<b>20 193</b>	<b>764</b>
Planning and development		550	575	601
Road transport		17 700	19 462	-
Environmental protection		-	157	164
<i><b>Trading services</b></i>		<b>35 945</b>	<b>29 705</b>	<b>20 382</b>
Energy sources		5 000	13 585	14 196
Water management		20 500	5 462	2 364
Waste water management		6 445	-	-
Waste management		4 000	10 658	3 822
<i><b>Other</b></i>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>65 245</b>	<b>67 976</b>	<b>40 039</b>
<b>Funded by</b>				
National Government		46 645	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 Corporatons, Higher Educ Institutions)		-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>46 645</b>	<b>31 924</b>	<b>2 364</b>
<b>Borrowing</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>
Internality generated funds		18 600	36 053	37 675
<b>Total Capital Funding</b>	<b>7</b>	<b>65 245</b>	<b>67 977</b>	<b>40 039</b>

## CAPITAL EXPENDITURE BUDGET:

One of the greatest challenges facing the municipalities is the public perception on service delivery.

Hence, capital investment is important to sustain growth, rehabilitate ageing infrastructure and eradicate service delivery backlog. Therefore, capital financing has taken into consideration the following:

- Ensure that capital programme is based on the IDP;
- Expedite spending on capital projects especially on projects that are funded from conditional grants;
- Explore new ways to funds capital projects from municipal own funding; and
- Maximizing of infrastructural development through utilization of all available source.

The proposed Capital Budget for the 2025/2026 financial year amounts to R68.2 million.

The capital expenditure for 2025/2026 financial year will be funded as follows:

<b>CAPITAL PROGRAMMES AS PER THE IDP</b>	<b>Budget 2025/26 AMOUNTS</b>	<b>Budget 2026/27 AMOUNTS</b>	<b>Budget 2027/28 AMOUNTS</b>
MUNICIPAL INFRASTRUCTURE GRANT	29 618 000	31 895 000	33 215 000
WATER SERVICE INFRASTRUCTURE GRANT	17 000 000	-	-
MUNICIPAL OWN FUNDING	18 600 000	36 052 500	37 674 862
	<b>65 218 000</b>	<b>67 947 500</b>	<b>70 889 862</b>

<b>MUNICIPAL OWN REVENUE</b>	<b>Budget 2025/26 AMOUNT</b>	<b>Budget 2026/27 AMOUNT</b>	<b>Budget 2027/28 AMOUNT</b>
<b>OFFICE EQUIPMENTS</b>	2 350 000	2 873 750	3 003 069
<b>ICT EQUIPMENTS</b>	3 250 000	5 486 250	5 733 131
<b>FLEET ACQUISITION</b>	6 000 000	10 450 000	10 920 250
<b>WASTE BIN</b>	2 000 000	3 657 500	3 822 087
<b>ACQUISITION OF TRANSFORMERS</b>	5 000 000	13 585 000	14 196 325
	<b>18 600 000</b>	<b>36 052 500</b>	<b>37 674 862</b>

	Budget 2025/26	Budget 2026/27	Budget 2027/28
MUNICIPAL INFRASTRUCTURE GRANT			
RECONSTRUCTION OF PAVED ROADS IN VICTOR KHANYE	16 217 618	17 865 700	-
DEVELOPMENT OF THE 2ND PHASE OF THE LANDFILL			
SITE IN DELMAS	2 000 000	7 000 000	-
DRILLING, REFURBISHMENT OF BOREHOLES IN RURAL			
AREAS AND PROVISION OF ELEVATED STEEL TANKS	2 500 000	3 200 000	-
PROJECT MANAGEMENT UNIT	1 482 250	1 596 200	
PROVISION OF SECURITY BOUNDARY FENCING OF ALL			
MUNICIPAL INFRASTRUCTURE	1 000 000	2 233 100	-
DEVELOPMENT OF PORTION 6 OF THE FARM			
MIDDLEBURG 231-R SANITATION SERVICES - PHASE 2 -			
LOWER LYING A	6 418 132	-	-
	29 618 000	31 895 000	

	Budget 2025/26	Budget 2026/27	Budget 2027/28
WATER SERVICE INFRASTRUCTURE GRANT	17 000 000	-	-

## **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.*

## **ENVISAGED IMPACT**

The Final budget will assist to municipality to offer the support to service departments and ensure that Service Delivery Budget Implementation Plan is implemented as per the budget and IDP.

## **STAKEHOLDERS CONSULTED**

Reporting to Council and Management to consider the Final budget.

## **HUMAN RESOURCE IMPLICATION**

No implication on the human resource of the municipality.

## **LEGAL IMPLICATIONS**

Section 216 (2) of the constitution maybe implemented should the municipality fail to adopt the final budget.

## **FINANCIAL IMPLICATIONS**

The municipality can fail to meet its obligation and incurred additional costs, which could results in unauthorised and irregular expenditure.

## **IT IS RECOMMENDED (THAT):**

1. The consolidated operating budget amounting to **R994 017 024** 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 2025/2026 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 **R 65 245 000** 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 2025/2026 Financial year.
4. The council take note of revised budget funding plan for the 2025/2026 as per circular 124.
5. The Final budget for 2025/2026 is unfunded 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.
6.
  - 6.1 Travel claims be paid with the monthly payroll run upon the submission of supporting documents;
  - 6.2 No overtime will be paid in excess of 40 hours per month, excluding essential services such as water, electricity, sanitation, fire and cemeteries that is pre-approved by the Head of Department. Overtime in excess of 40 hours be converted into time off in lieu of overtime.

- 6.3 Refreshments be provided only for external meetings attended by external stakeholders where possible as per the cost containment measurements.
- 6.4 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.
- 6.5 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.
- 6.6 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.
- 6.7 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;
- 6.8 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;
- 6.9 Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount. The cell phone and data allowance policy be introduce to curb expenditure. Telephone staff expenses which are not work related should be deducted on the salaries.
- 6.10 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.
- 6.11 Any other cost containment measures as determined by the Accounting Officer in terms of these circulars and the policy.
- 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 82,85 and Circular 86,89 to ensure that council continue to service its monthly liabilities.

The supporting information contained in the 2025/2026 to 2027/2028 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.

8. 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

2025/2026 financial year for implementation with effect from 1 July 2025. Tariff increase is between 4.3- 20%.

9. The indicative medium term budgets for the 2025/2026 and 2027/2028 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. Contract Management Policy
- j. Staff and councilors payment Policy
- k. Loss control Policy
- l. Debt collection and Credit Control Management
- m. Cash Management and Financial Procedures Policy
- n. Budget Policy
- o. Tariff by law
- p. Credit Control By law

10. Service delivery objectives and plans (SDBIP) for each of the segments as set out in the 2025/2026 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.

11. 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 21% to the operational budget.

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**VICTOR KHANYE LOCAL MUNICIPALITY**



**ANNUAL BUDGET TABLES**

**2025/2026**



## VICTOR KHANYE LOCAL MUNICIPALITY



## OVERVIEW OF FINAL 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 departments 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 2025) a time schedule that sets 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 31<sup>st</sup> August 2025.

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

The financial planning process leading up to the 2026/2025 MTREF, based on the approved 2025/2026 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 2024/2025 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 2025/2026 - 2027/2028 final budget and MTREF:

1. Rapid growth of the municipality since it's in the borders 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 2025/2026 draft 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. The challenges of the increase of the debt in terms of the bulk purchases which is making the municipality to be unfunded.

## 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 2025 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 seek 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 achieved 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 response to the increasing population demand and the growth of Victor Khanye.

The municipality is engage in different programs (1) The refurbishment of the Delmas Water Treatment Plan (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. The municipality has been refurbishing new infrastructure on electricity network to address the distribution losses on electricity and water.

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 municipality has a Cash management committee that is dealing with the cash flow of the municipality to ensure that the municipality improves its financial status.

#### 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 include 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 of the personal development of the employees.

#### 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.

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## 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**

#### **Liquidity**

The current ratio is a measure of the current assets divided by the current liabilities, the current ratio is 0.3 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. The municipality has appointed a Cash Management committee to deal the issue of procurement and payment to ensure that all Bulk Purchases are addressed. The budget steering committee will deal all the commitment made by the municipality to improve its revenue collection. The municipality needs to review its communication strategy to be able to inform the community on all that is happening and the changes for the next financial year.

#### **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. The municipality is in the process of signing the repayment plan with Rand Water and has reviewed their standing with Eskom.

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## VICTOR KHANYE LOCAL MUNICIPALITY



## OVERVIEW OF BUDGET RELATED-POLICIES

### 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. Loss Control Policy
13. Staff and councilors payment policy
14. Cost containment Policy
15. Smart Meter Policy
16. Credit control By-Law
17. Tariffs By – Law
18. Rates policy
19. Budget Policy
20. Debt collection and Credit control Management 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.

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## VICTOR KHANYE LOCAL MUNICIPALITY



### OVERVIEW OF BUDGET FUNDING

2025/2026

The budget of Council consists of an operating budget and a capital budget. The 2024/2025) 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 service charges revenue 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 water services are also **facing 58%** of distribution losses which 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 budge funding plan and revenue Enhancement Strategy for improve the revenue sources and introduce new revenue source 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 due to the unfunded budget, the municipality will only deal with the capital from own revenue after midyear assessment.

- Contributions from National Government (MIG)
- 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

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## 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 which 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 (5) 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 31<sup>st</sup> 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.

**Circular 124 of MFMA**

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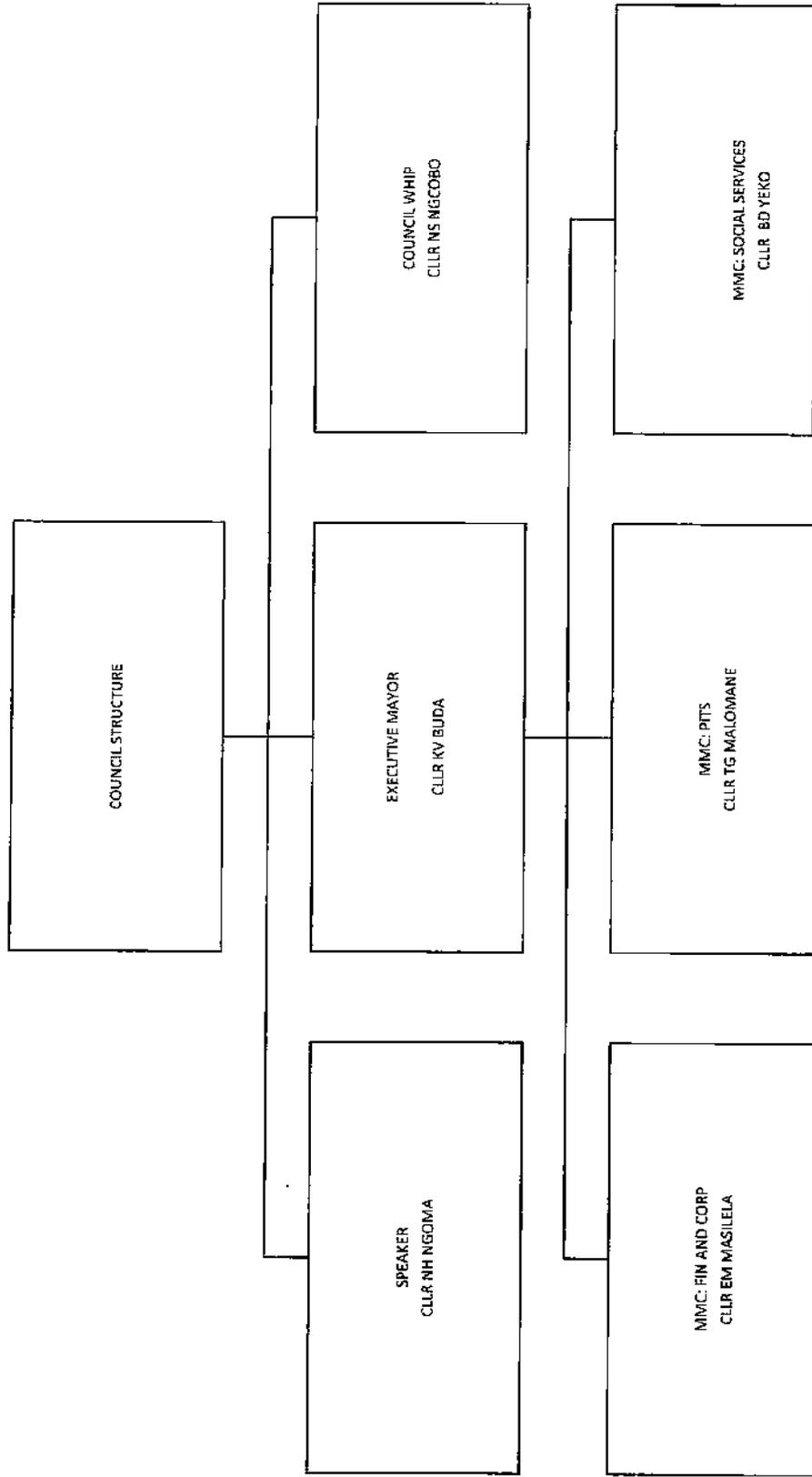
**VICTOR KHANYE LOCAL MUNICIPALITY**



**Councilor Allowances, Employees Benefits and Organogram**

**2025/2026**

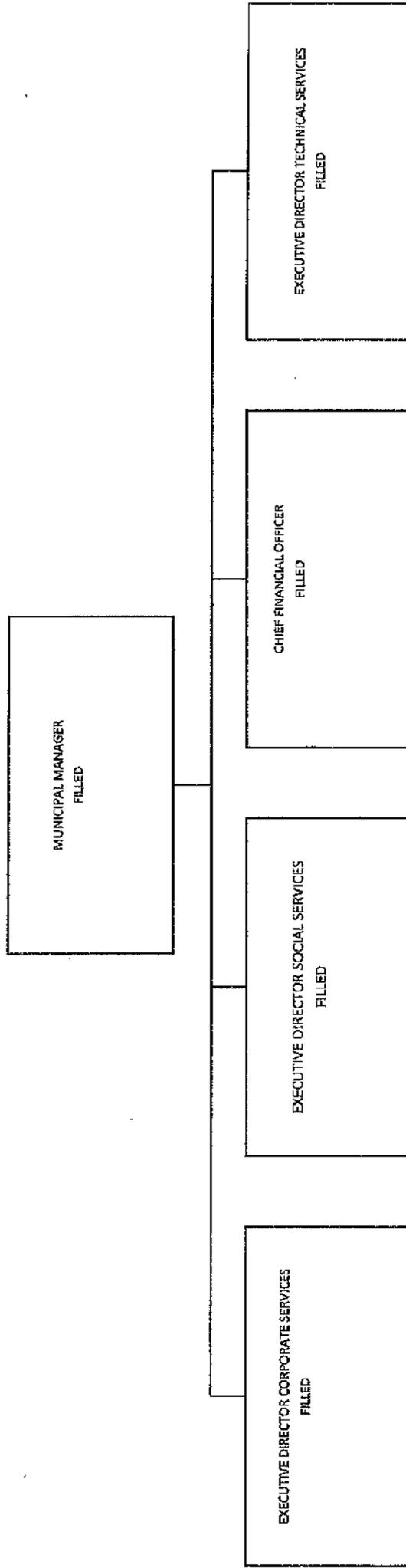
# EXECUTIVE OVERVIEW



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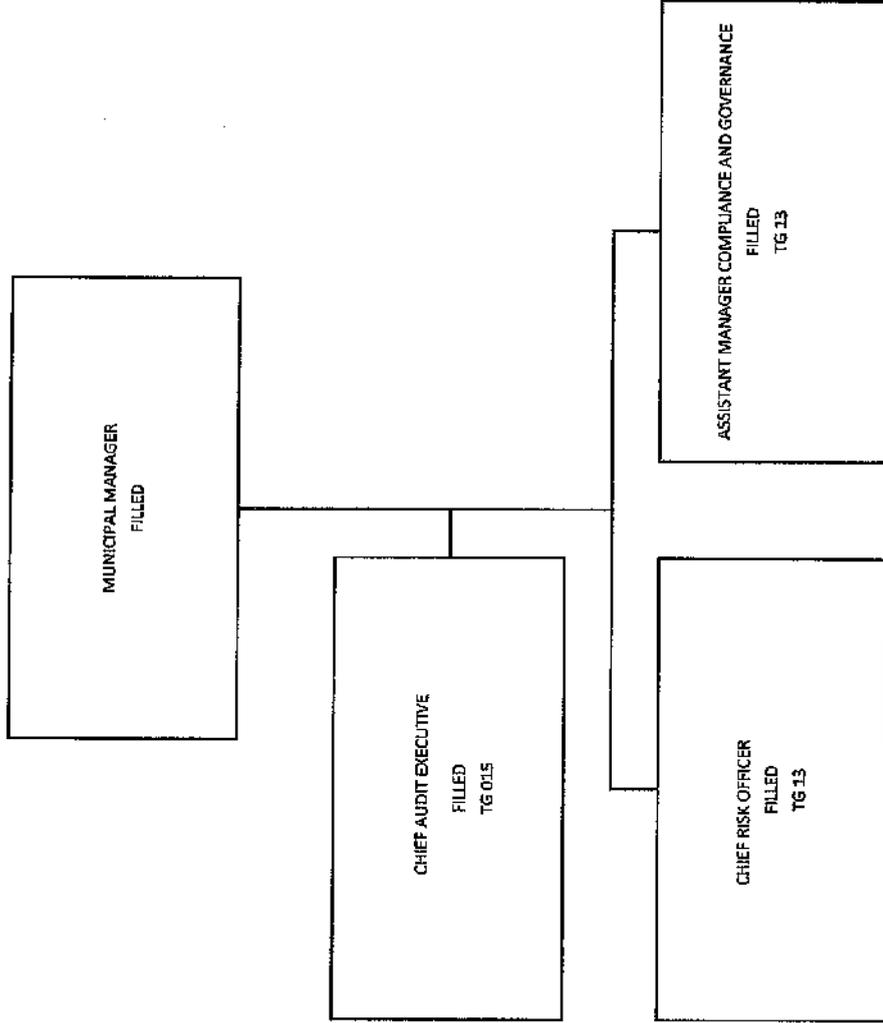


# SENIOR MANAGEMENT: STRATEGIC TEAM



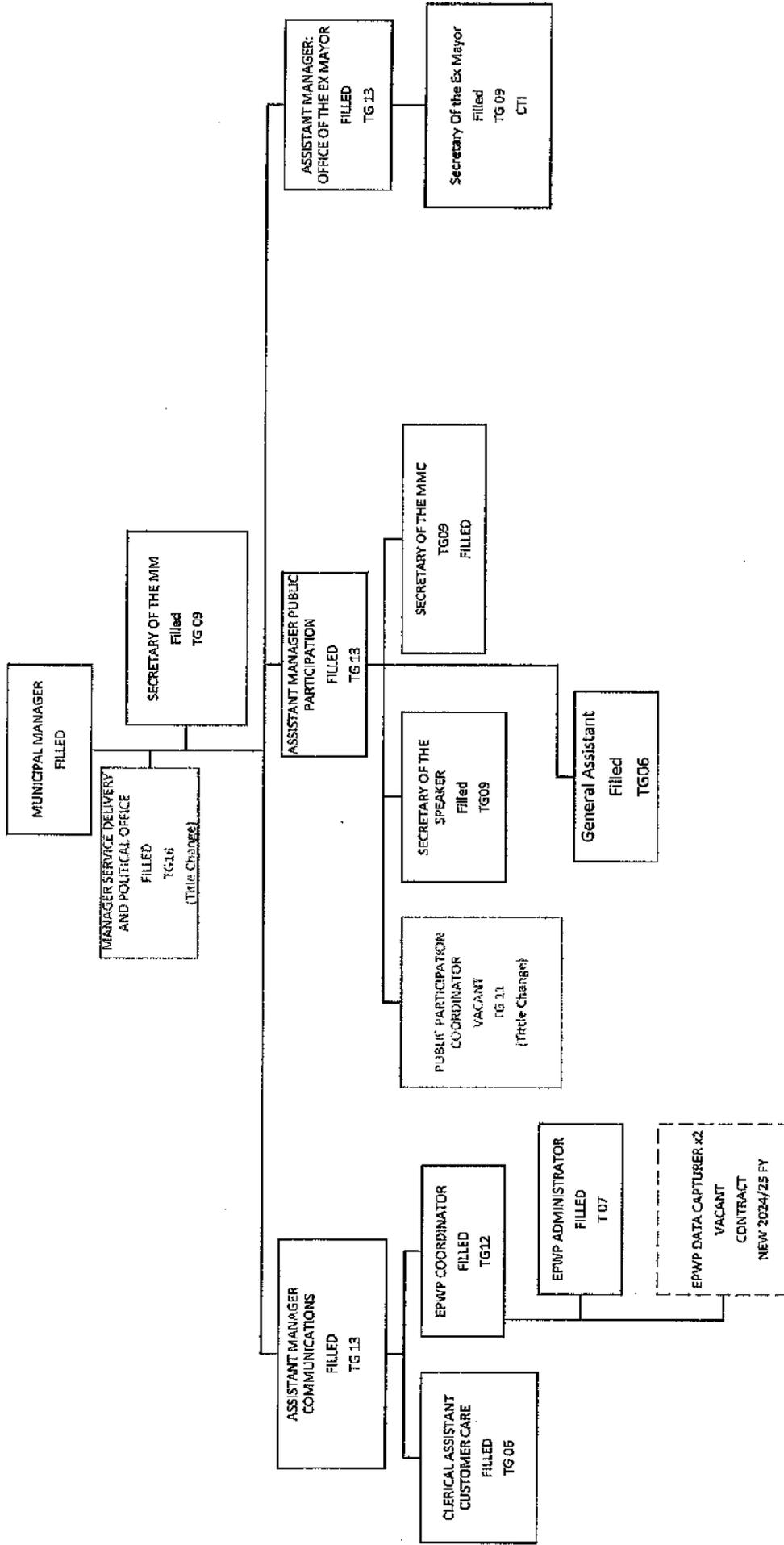
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# MUNICIPAL MANAGER DIRECT SUPPORTIVE REPORTS



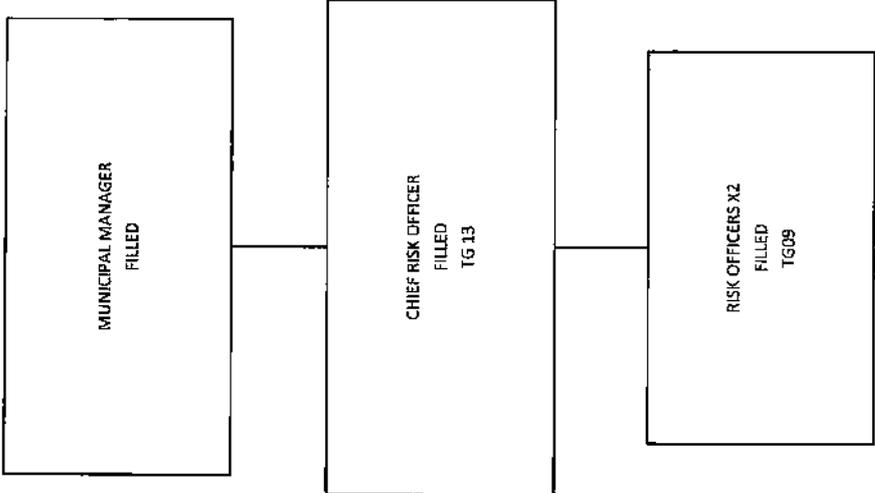
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# MUNICIPAL MANAGER OFFICE:SERVICE DELIVERY



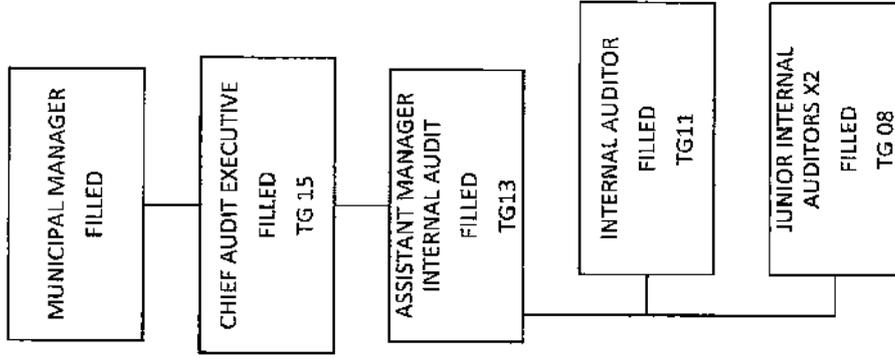
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# MUNICIPAL MANAGER OFFICE:RISK UNIT



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# MUNICIPAL MANAGER OFFICE:INTERNAL AUDIT UNIT

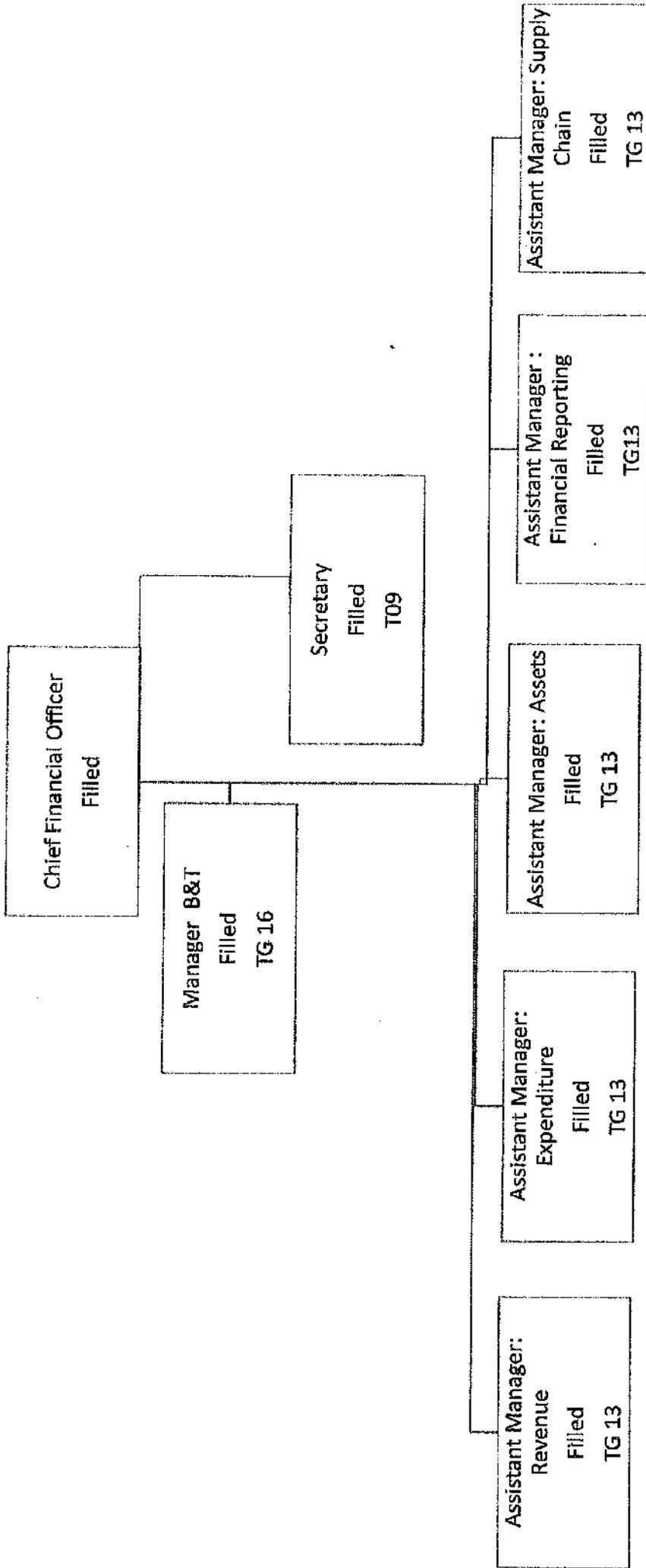


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# FINANCE DEPARTMENT

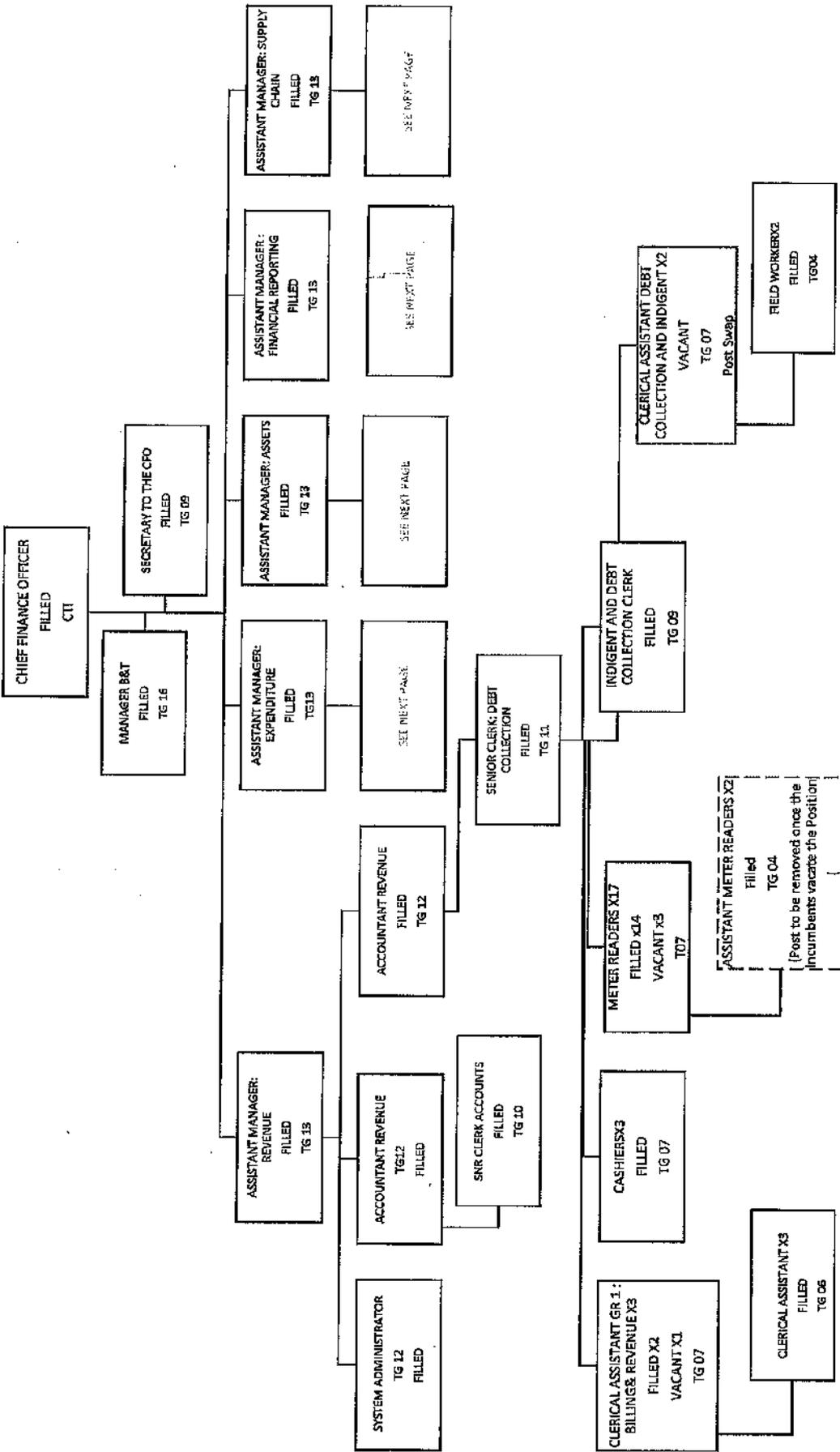
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# DEPARTMENT OF FINANCE: EXECUTIVE STRUCTURE



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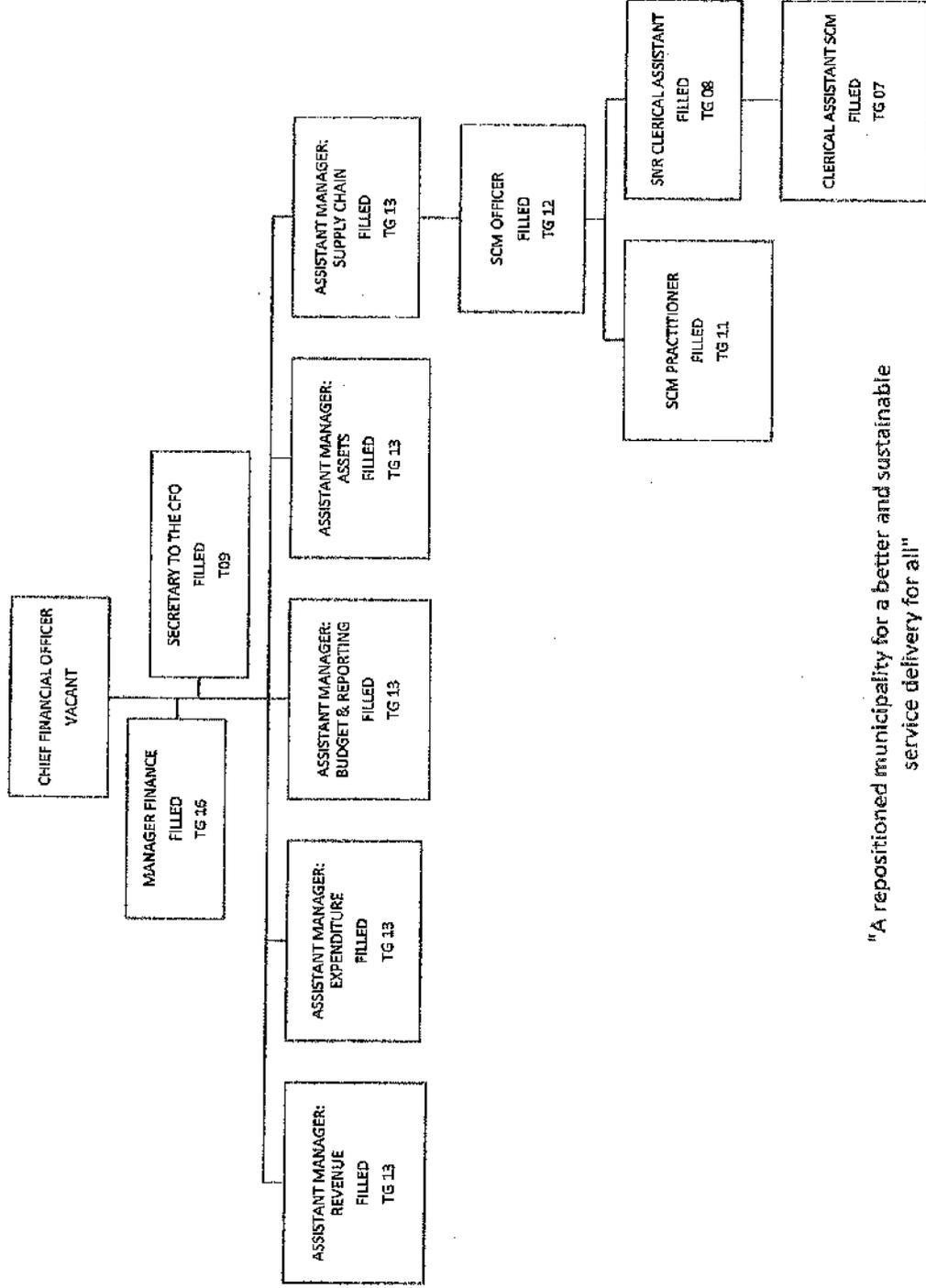
# DEPARTMENT OF FINANCE: REVENUE SECTION



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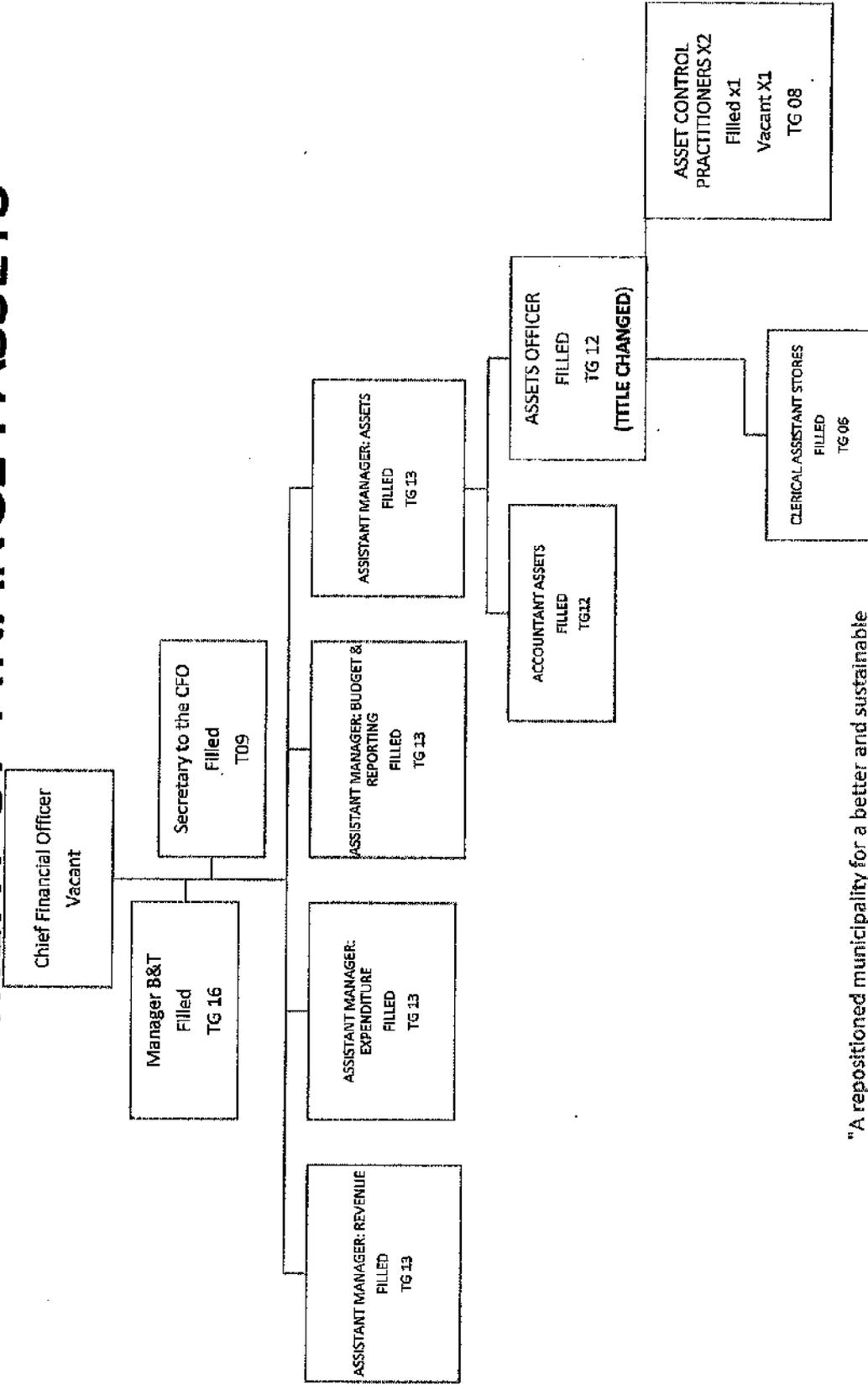


# FINANCE DEPARTMENT: SUPPLY CHAIN SECTION



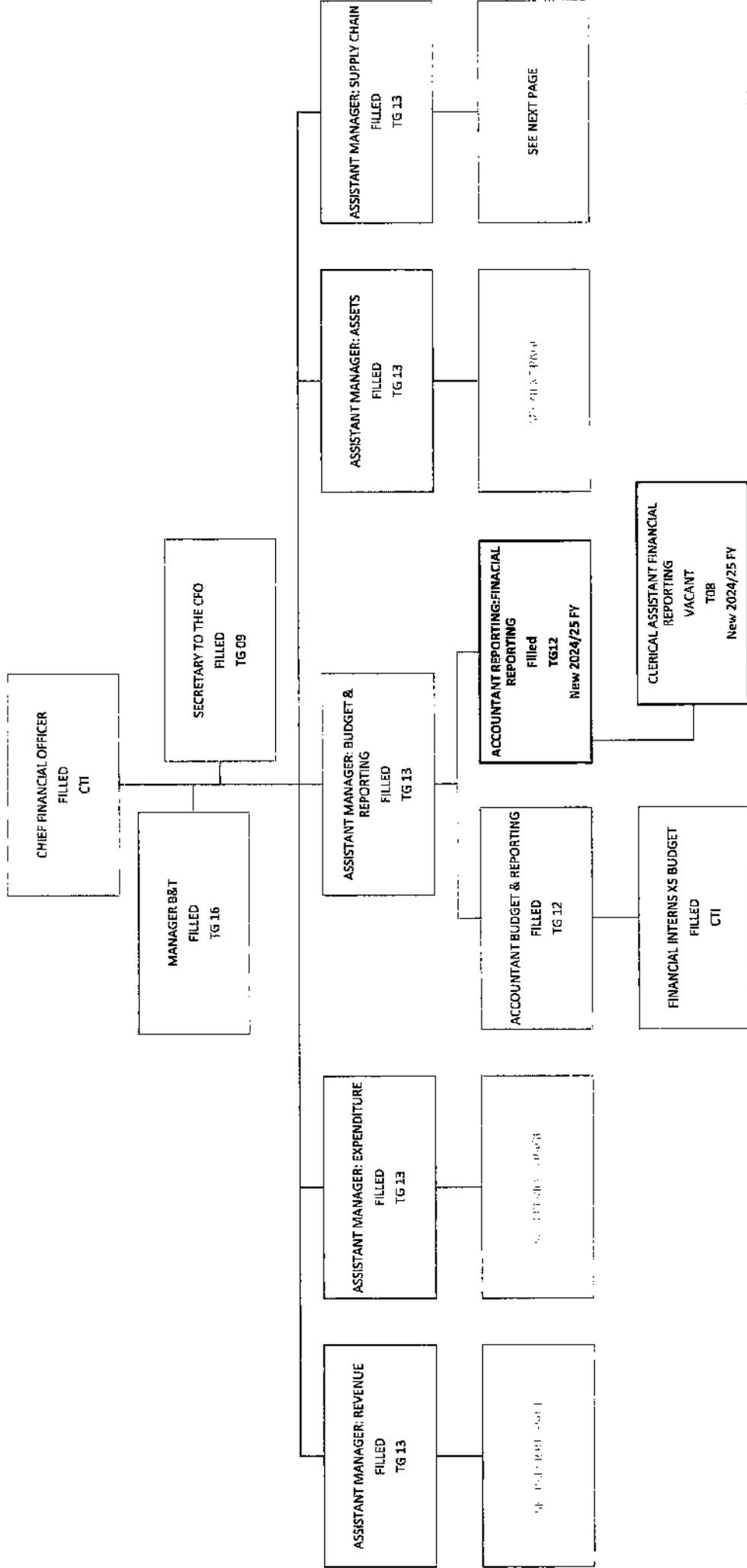
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# DEPARTMENT OF FINANCE : ASSETS



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# DEPARTMENT OF FINANCE FINANCIAL REPORTING SECTION

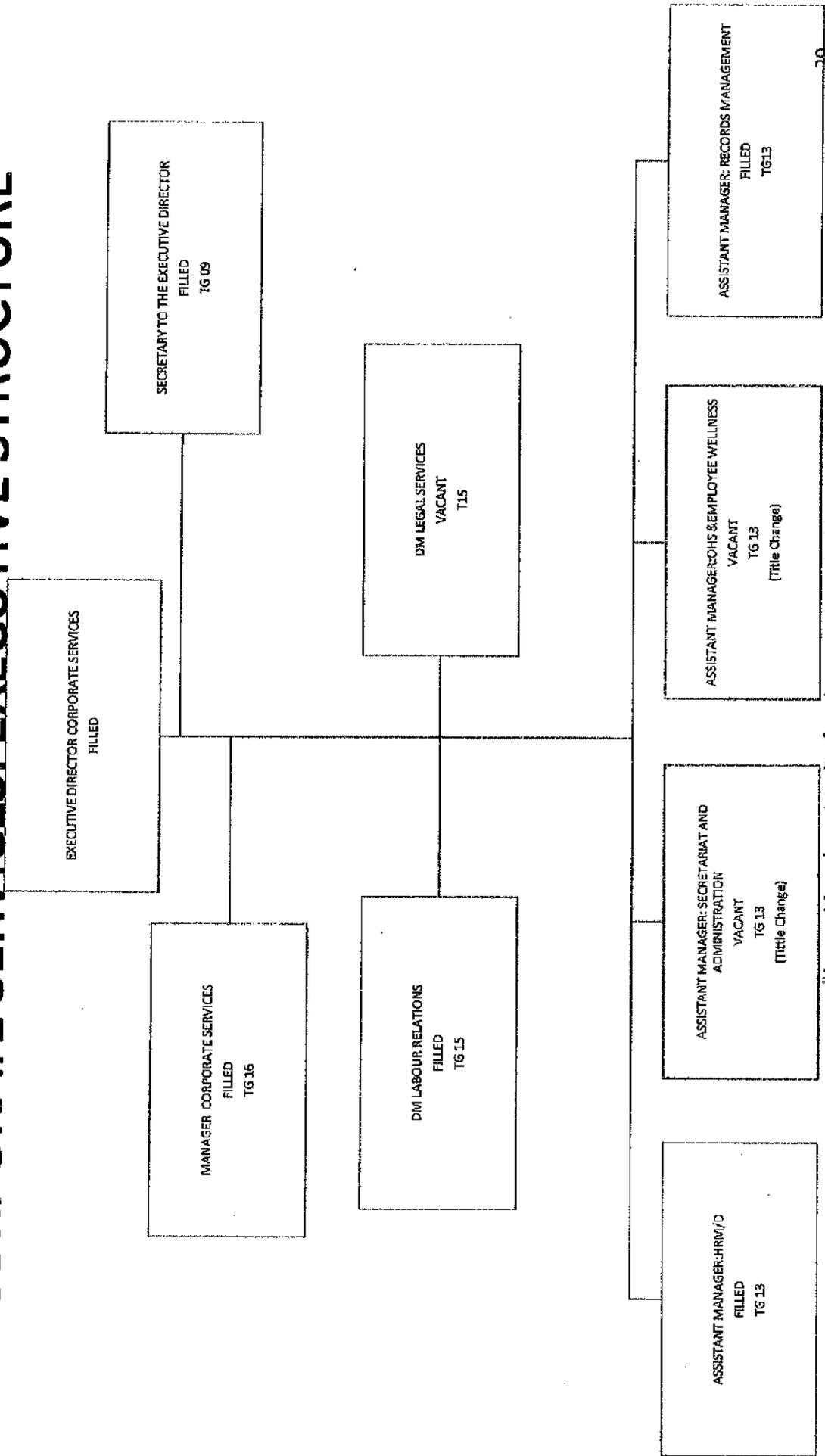


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# CORPORATE SERVICES DEPARTMENT

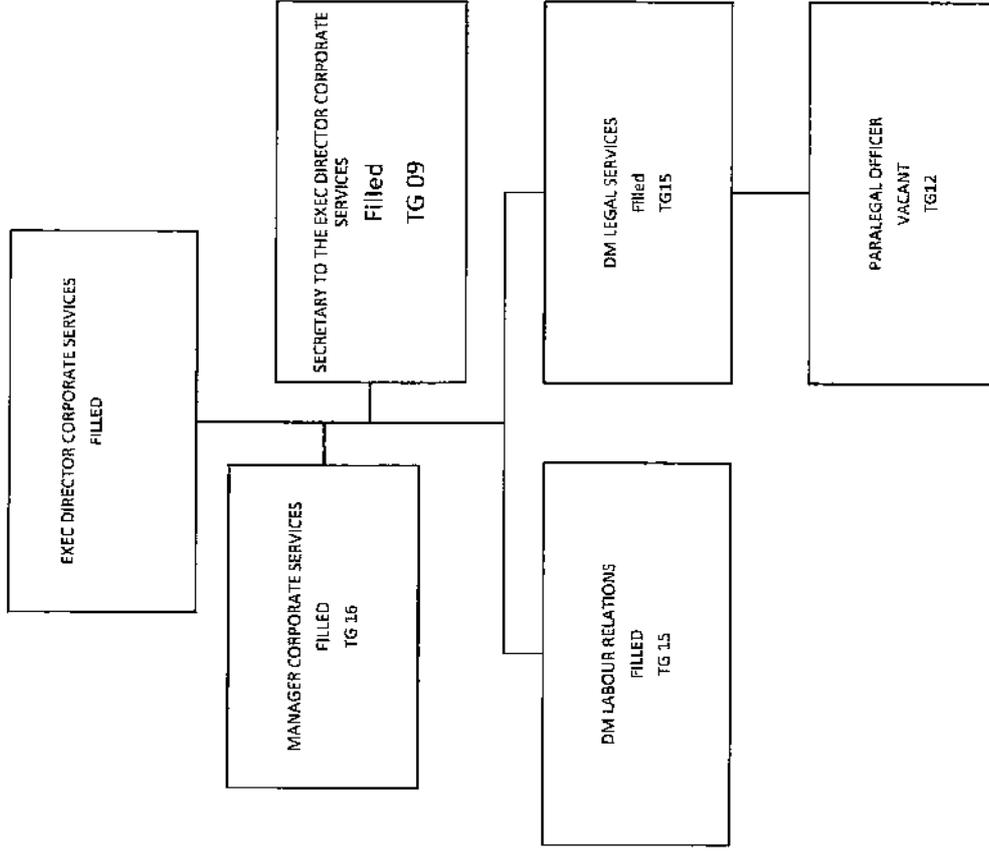
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# CORPORATE SERVICES: EXECUTIVE STRUCTURE



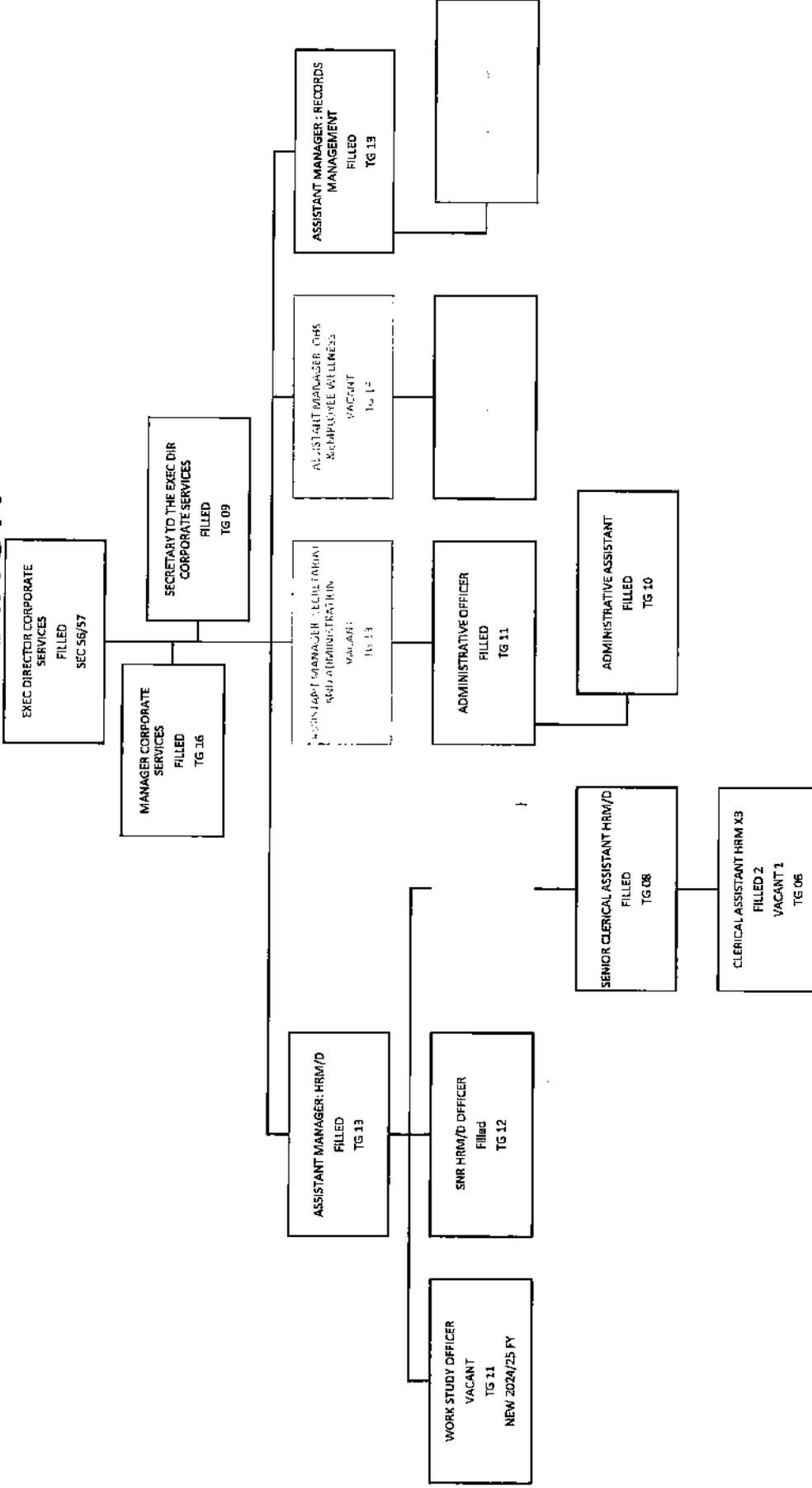
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# CORPORATE SERVICES: LEGAL SECTION



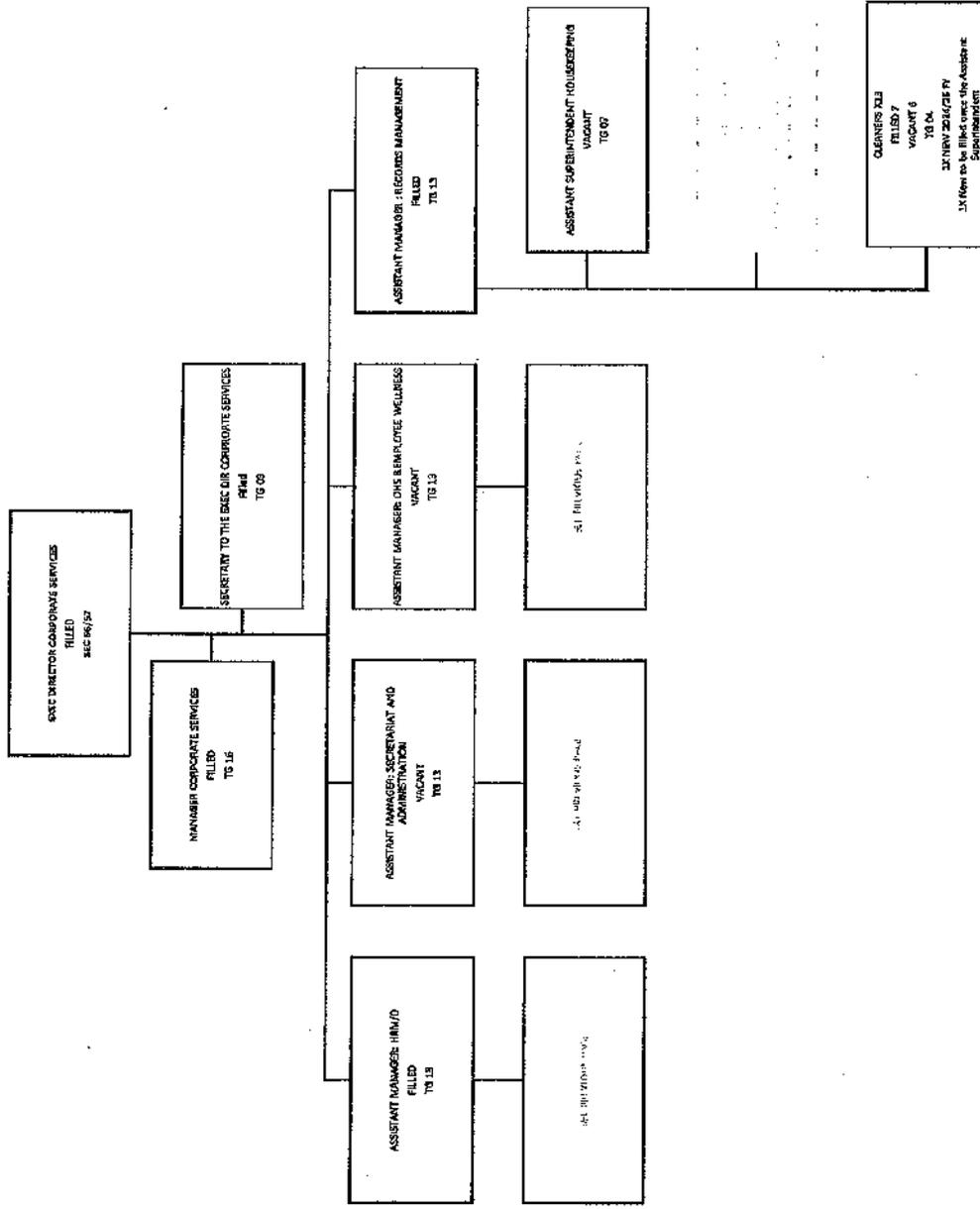
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# CORPORATE SERVICES: HRM/D AND SECRETARIAT AND ADMINISTRATION



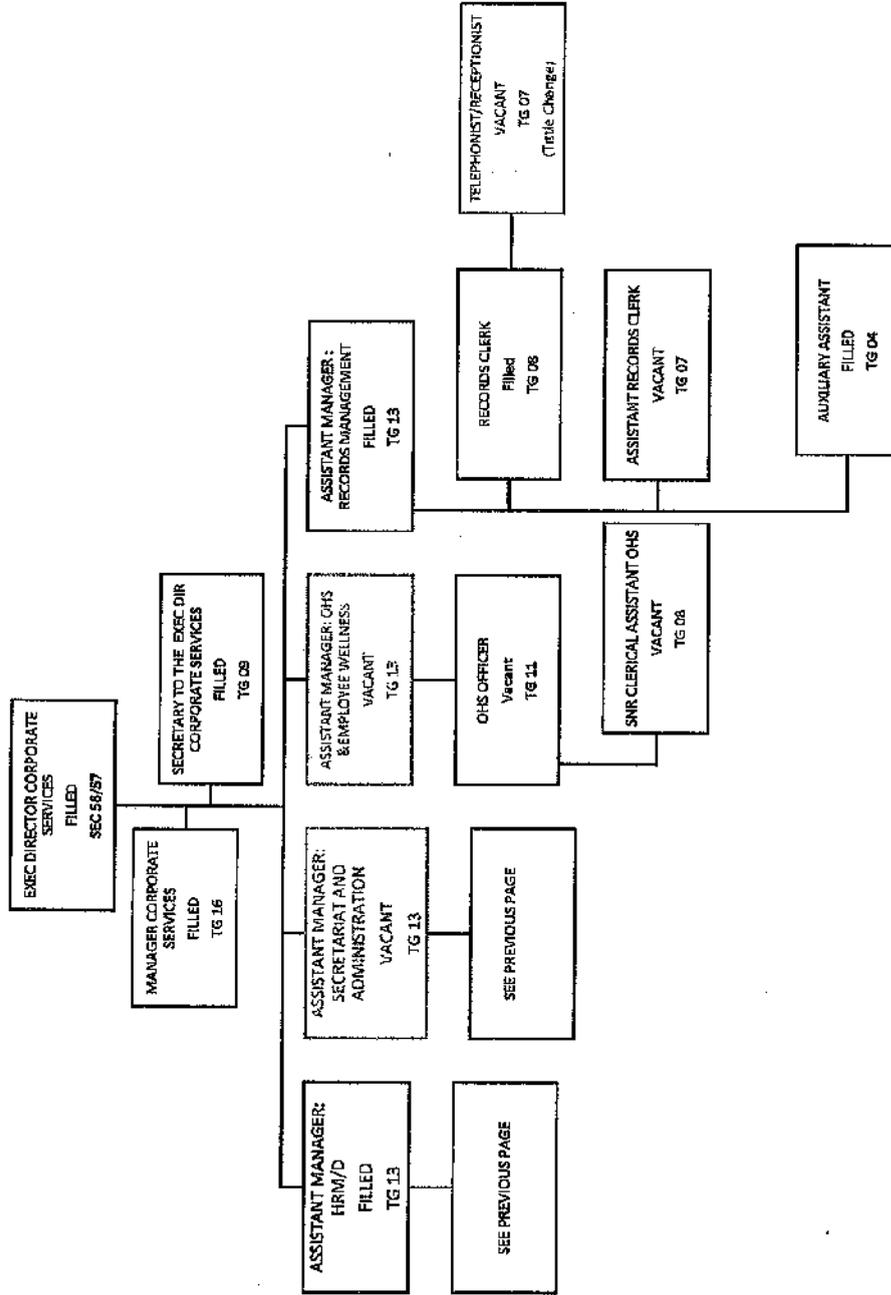
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# CORPORATE SERVICES: HOUSEKEEPING AND FACILITIES



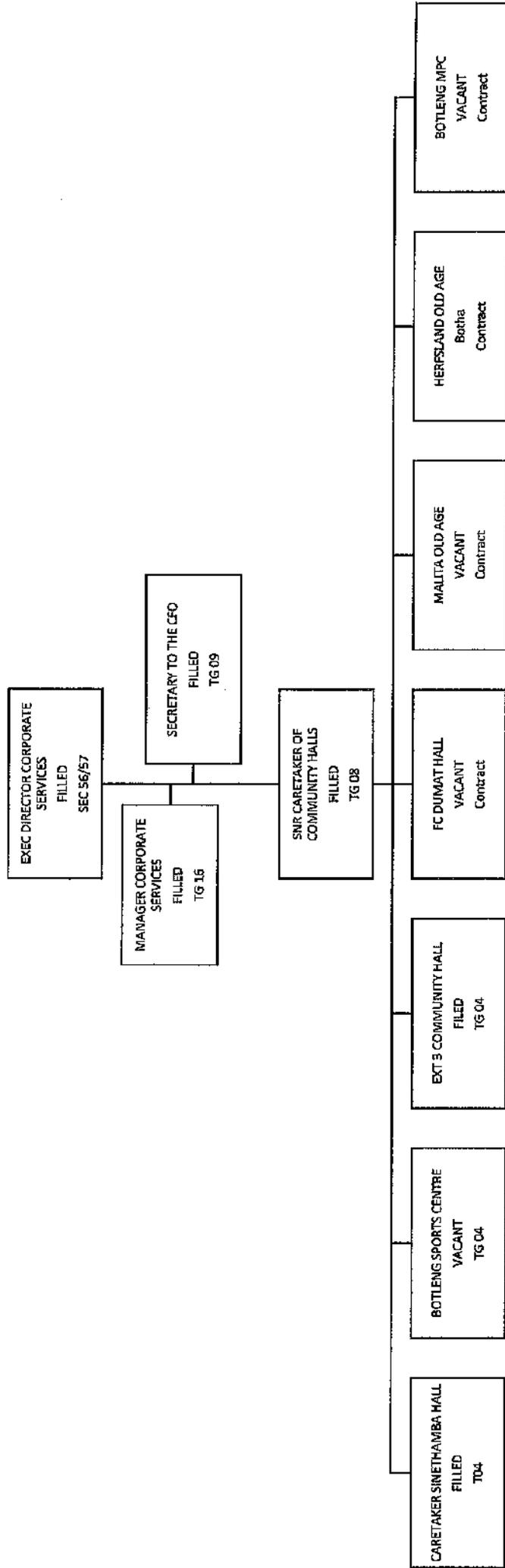
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# CORPORATE SERVICES: OHS AN CORPORATE ARCHIVES ADMIN



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# CORPORATE SERVICES: MUNICIPAL FACILITIES

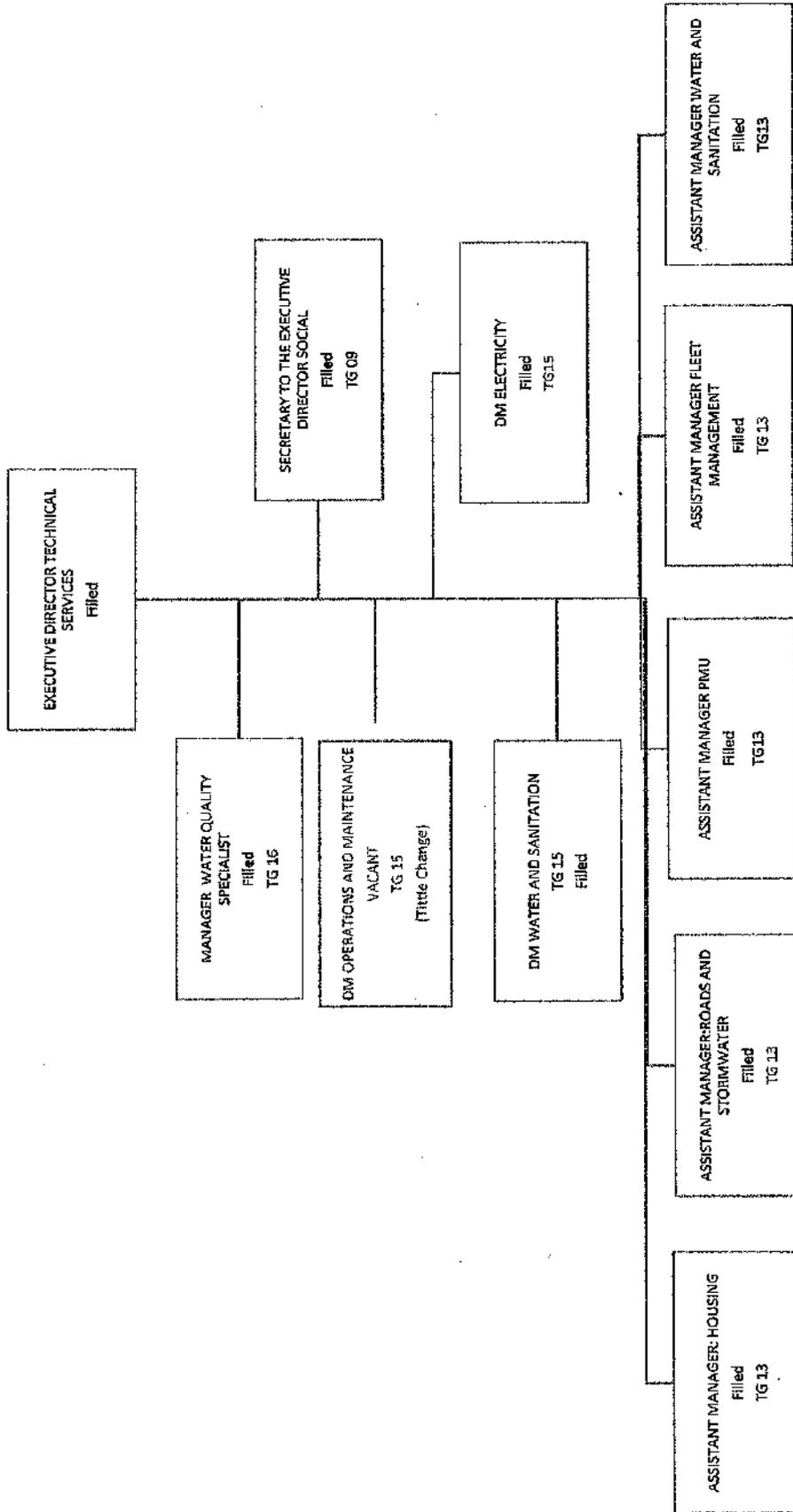


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# TECHNICAL SERVICES DEPARTMENT

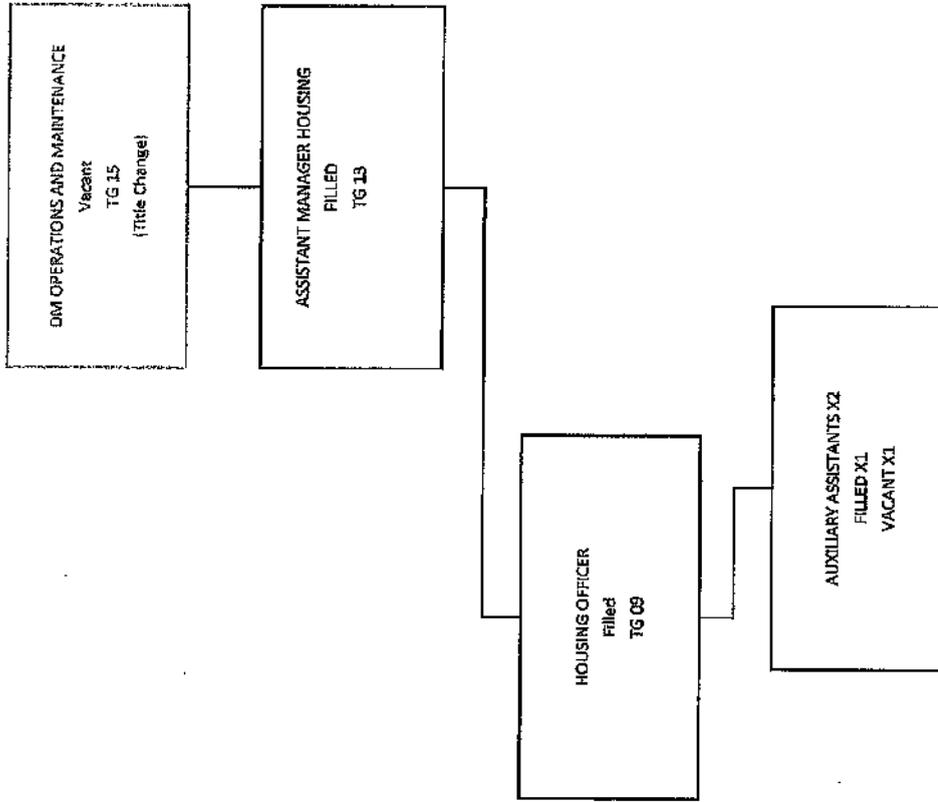
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# TECHNICAL SERVICES: EXECUTIVE STRUCTURE



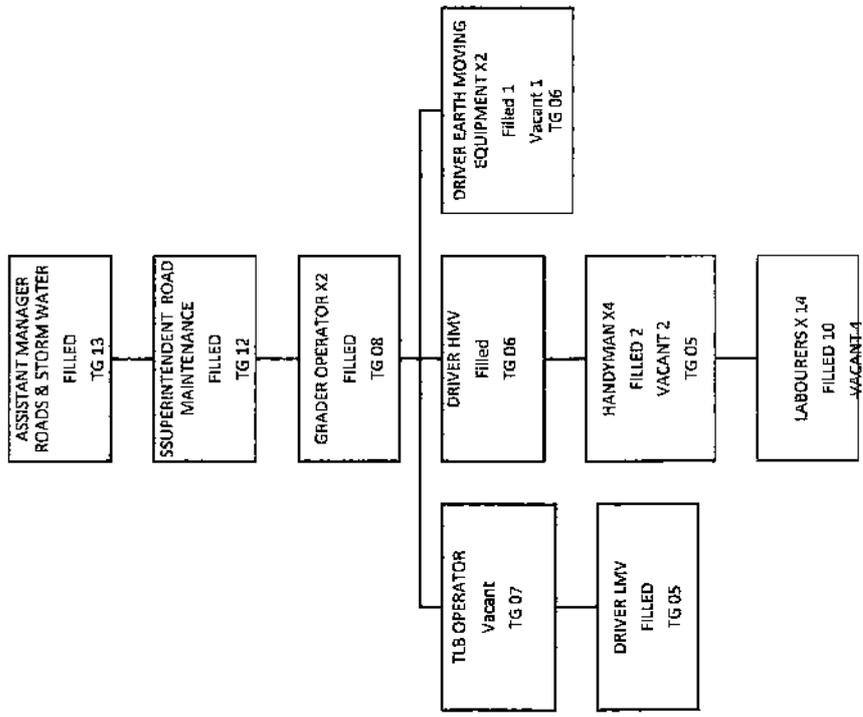
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# TECHNICAL SERVICES:HOUSING SECTION



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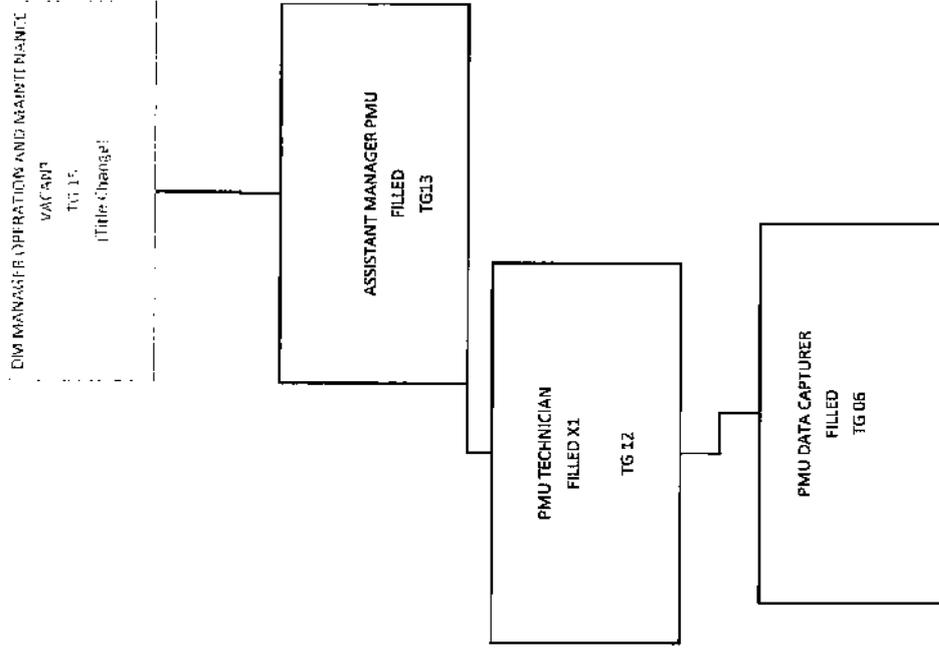
# TECHNICAL SERVICES: ROADS & STORMWATER



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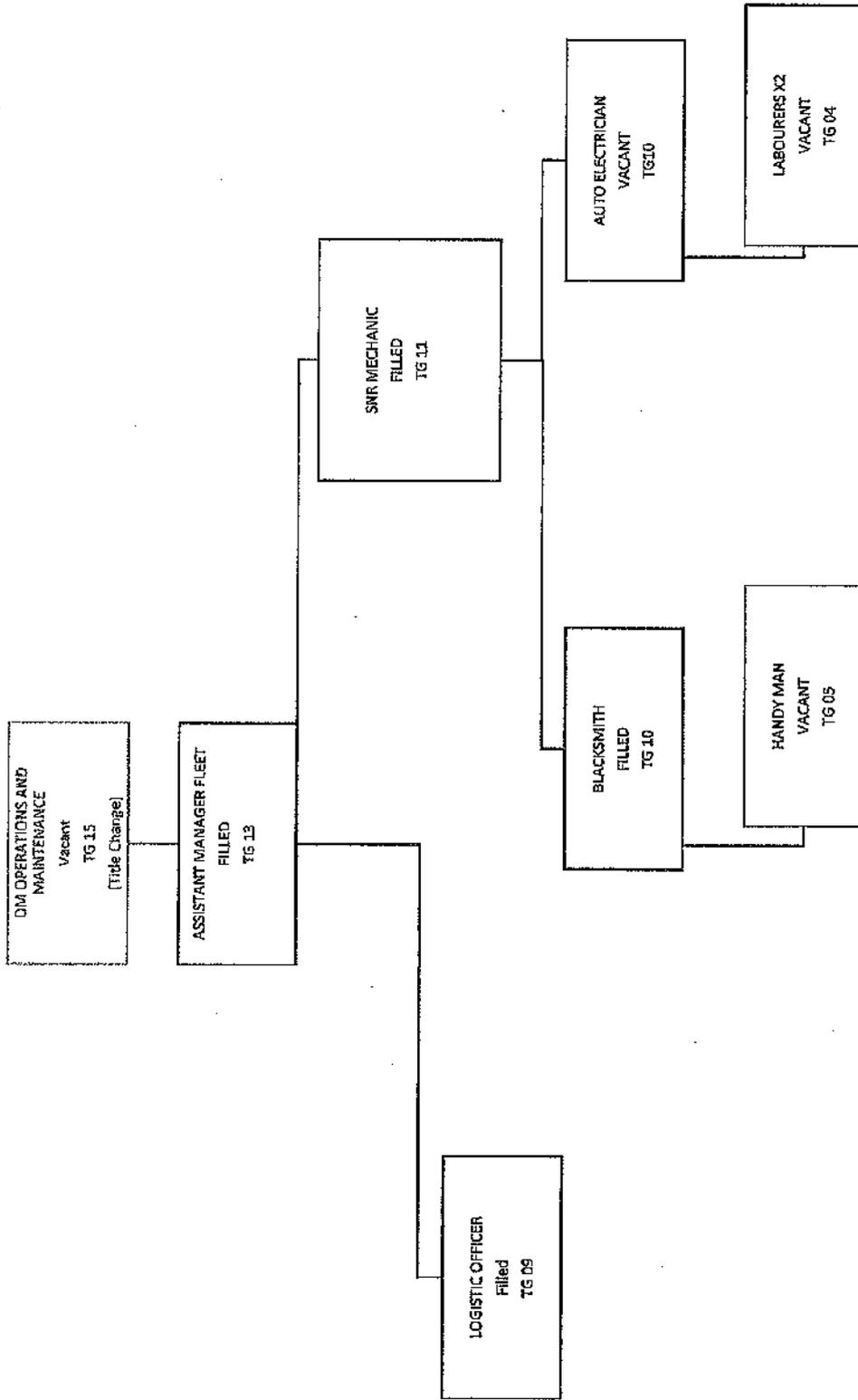
# TECHNICAL SERVICES:

## PROJECT MANAGEMENT UNIT



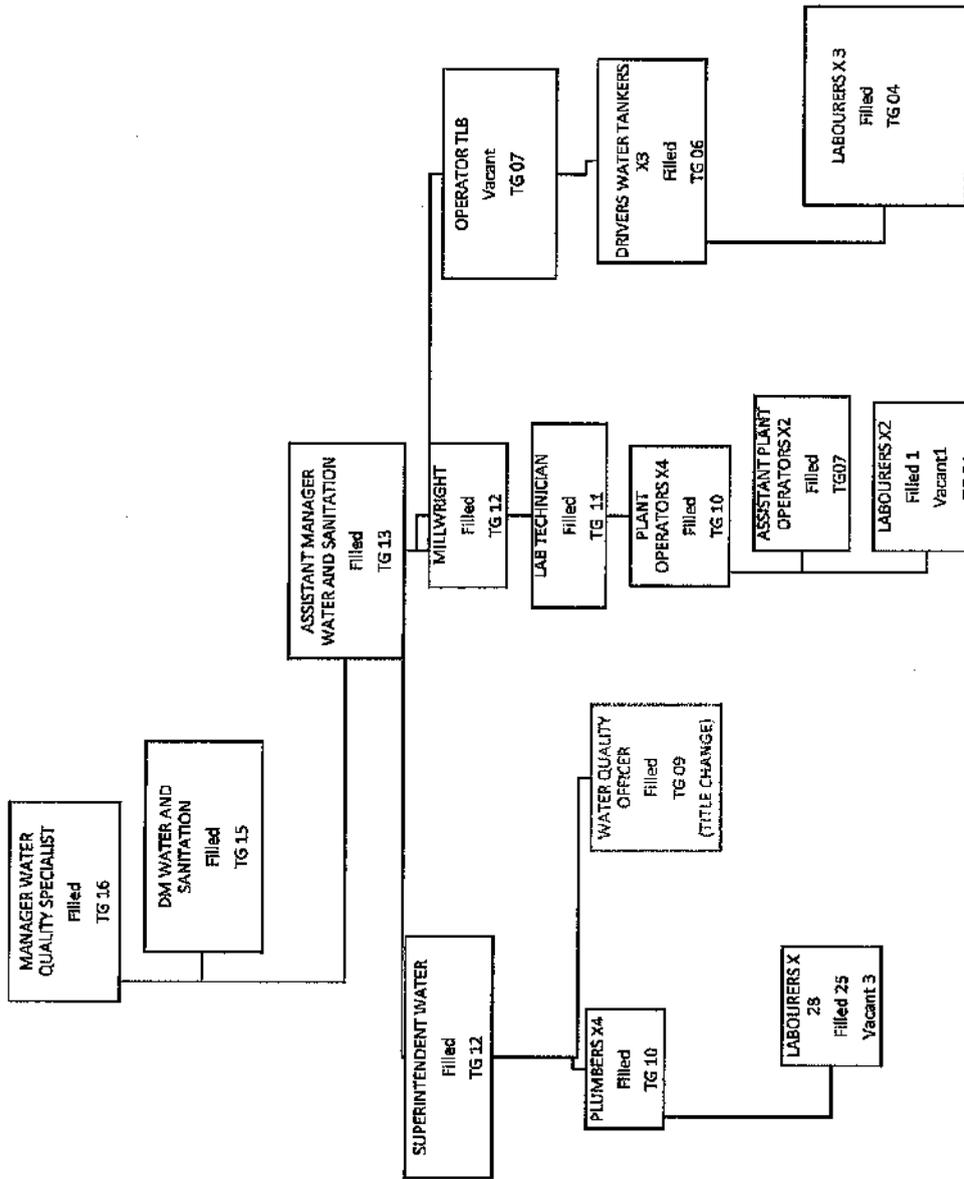
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# FLEET MANAGEMENT



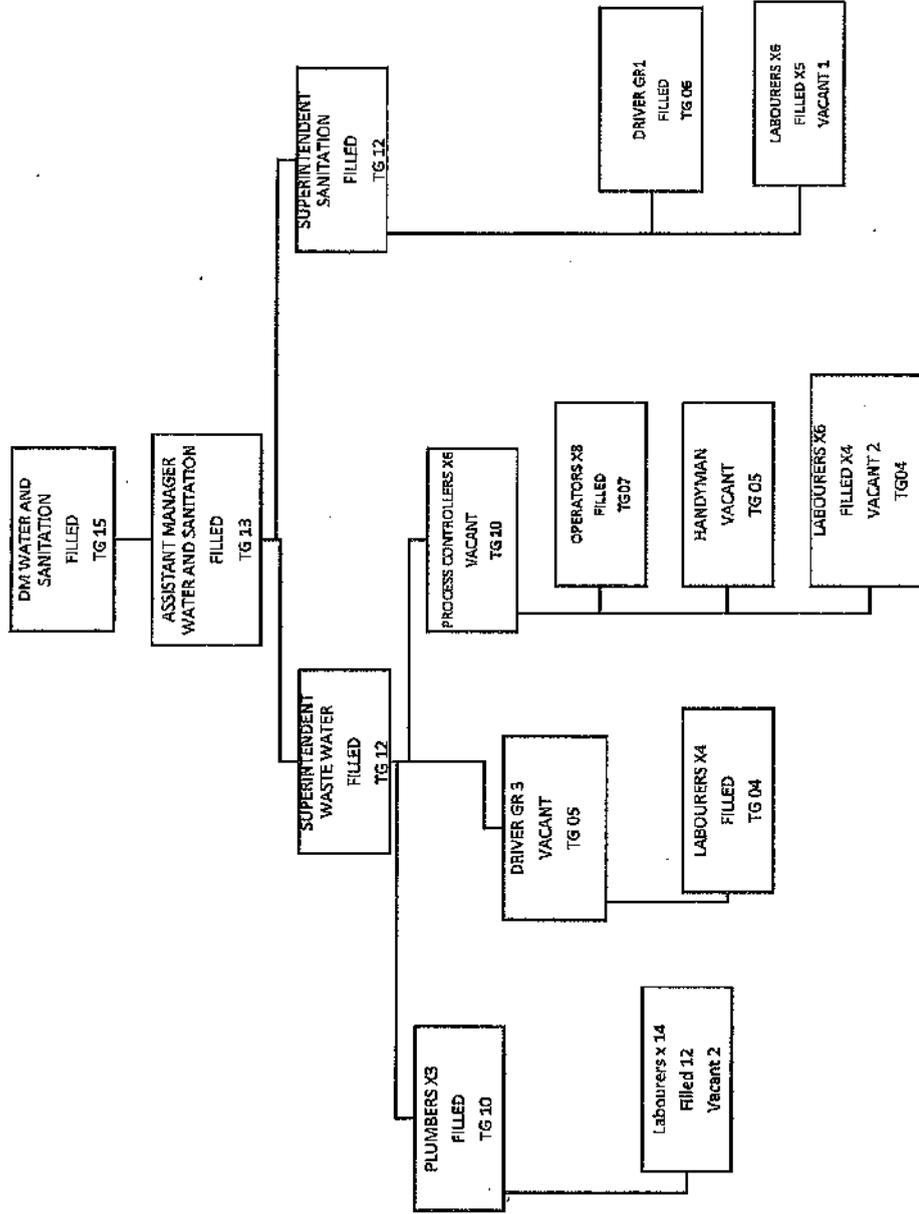
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# WATER SERVICES



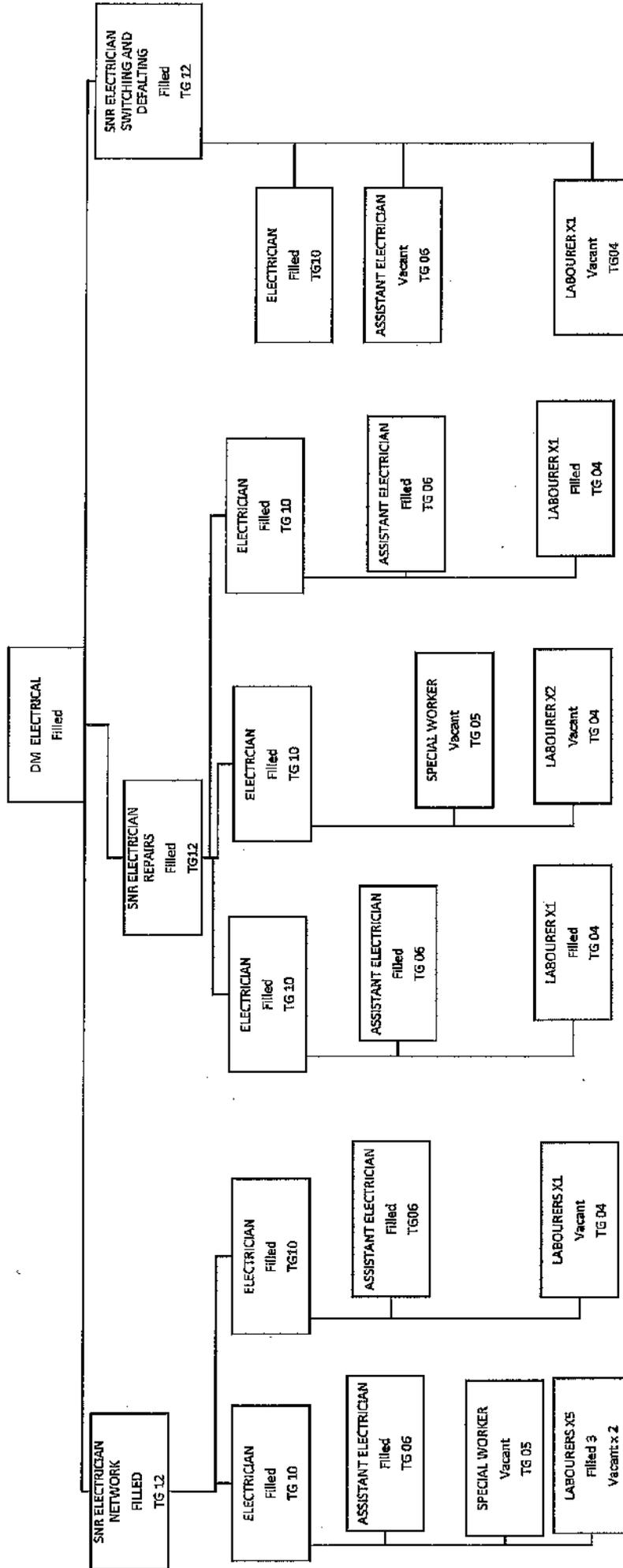
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# SANITATION SERVICES



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# TECHNICAL SERVICES: ELECTRICAL AND ENERGY

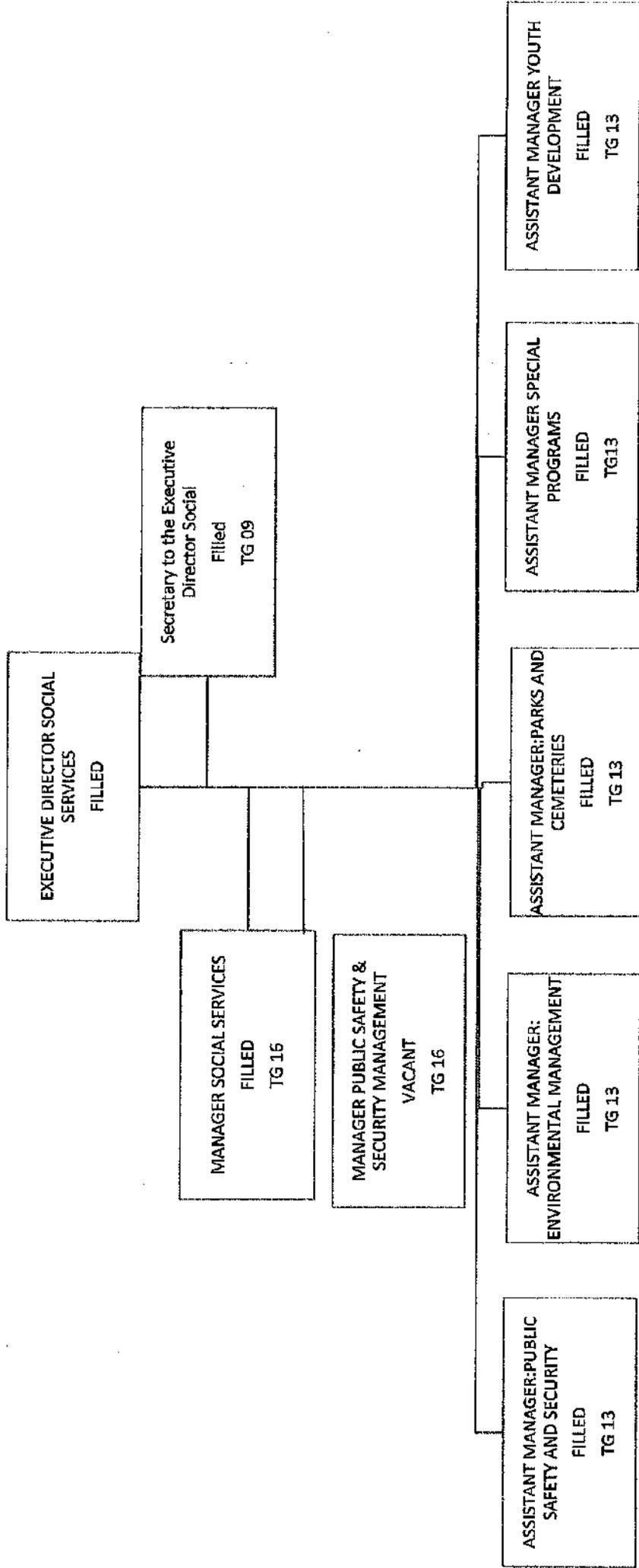


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# SOCIAL SERVICES DEPARTMENT

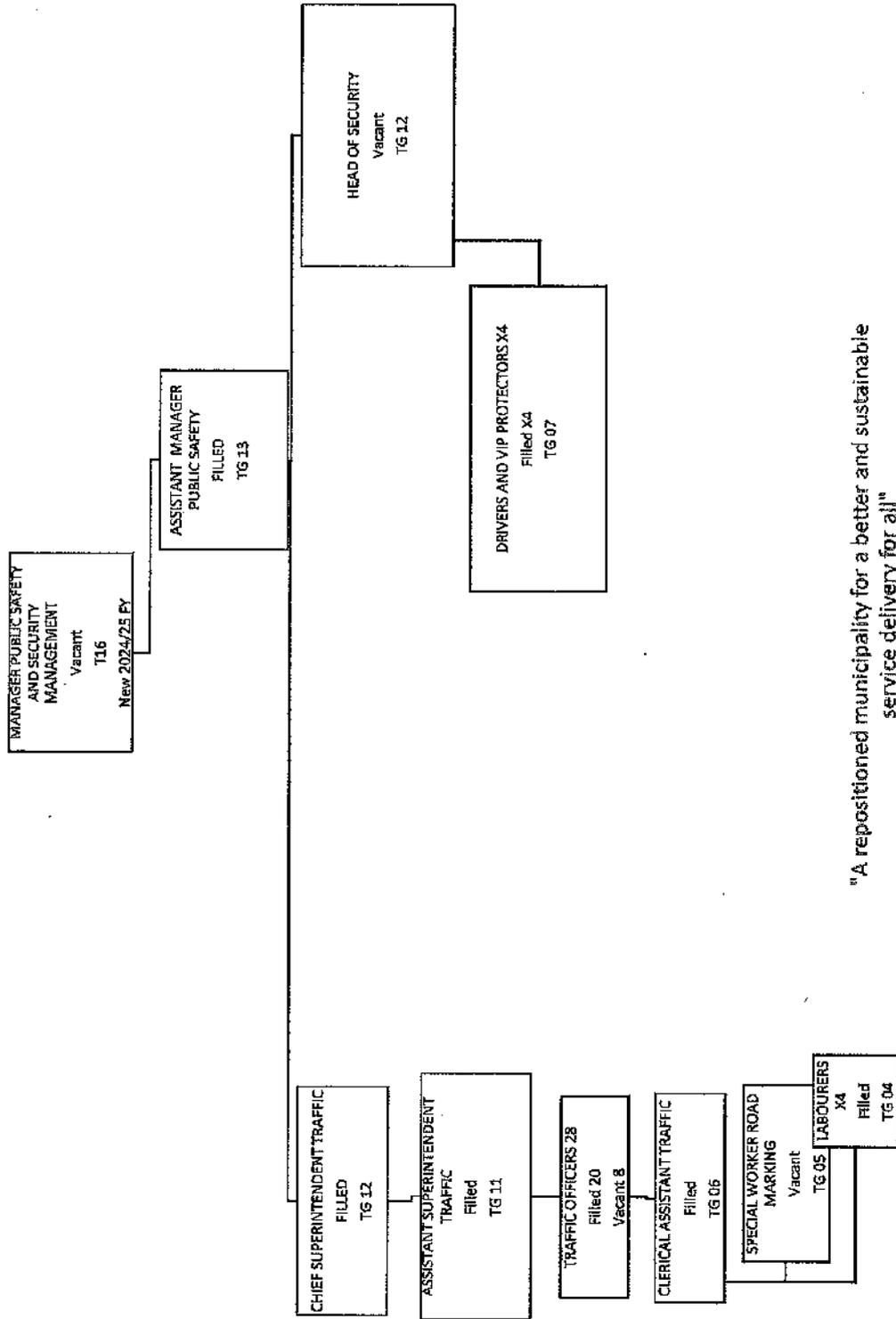
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# SOCIAL SERVICES: EXECUTIVE STRUCTURE



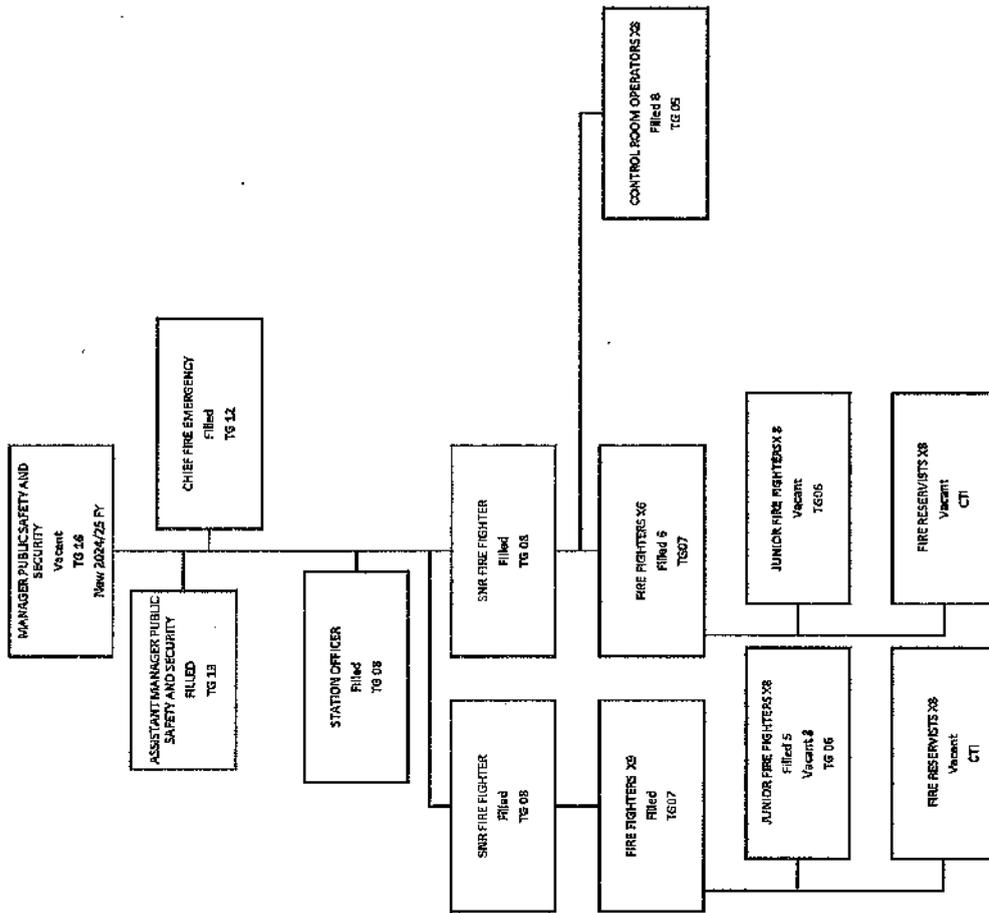
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# SOCIAL SERVICES: PUBLIC SAFETY AND SECURITY MANAGEMENT



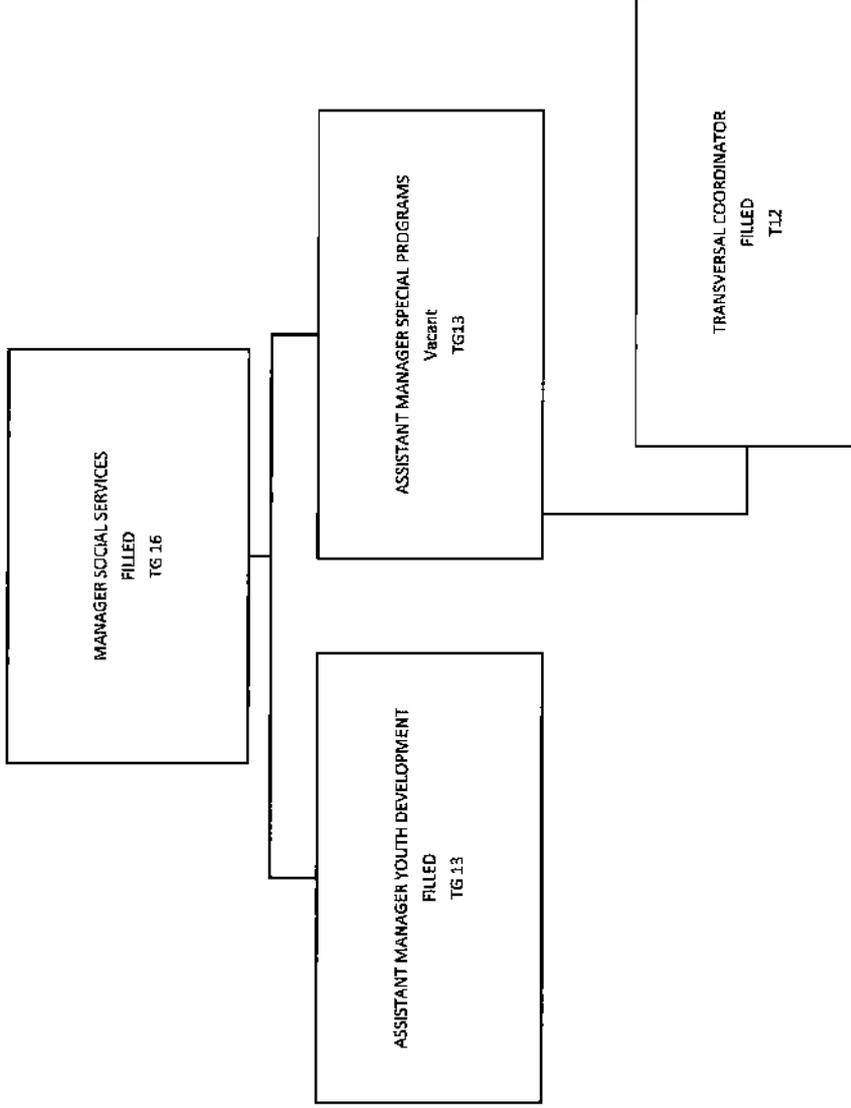
"A repositioned municipality for a better and sustainable service delivery for all"

# EMERGENCY AND DISASTER MANAGEMENT



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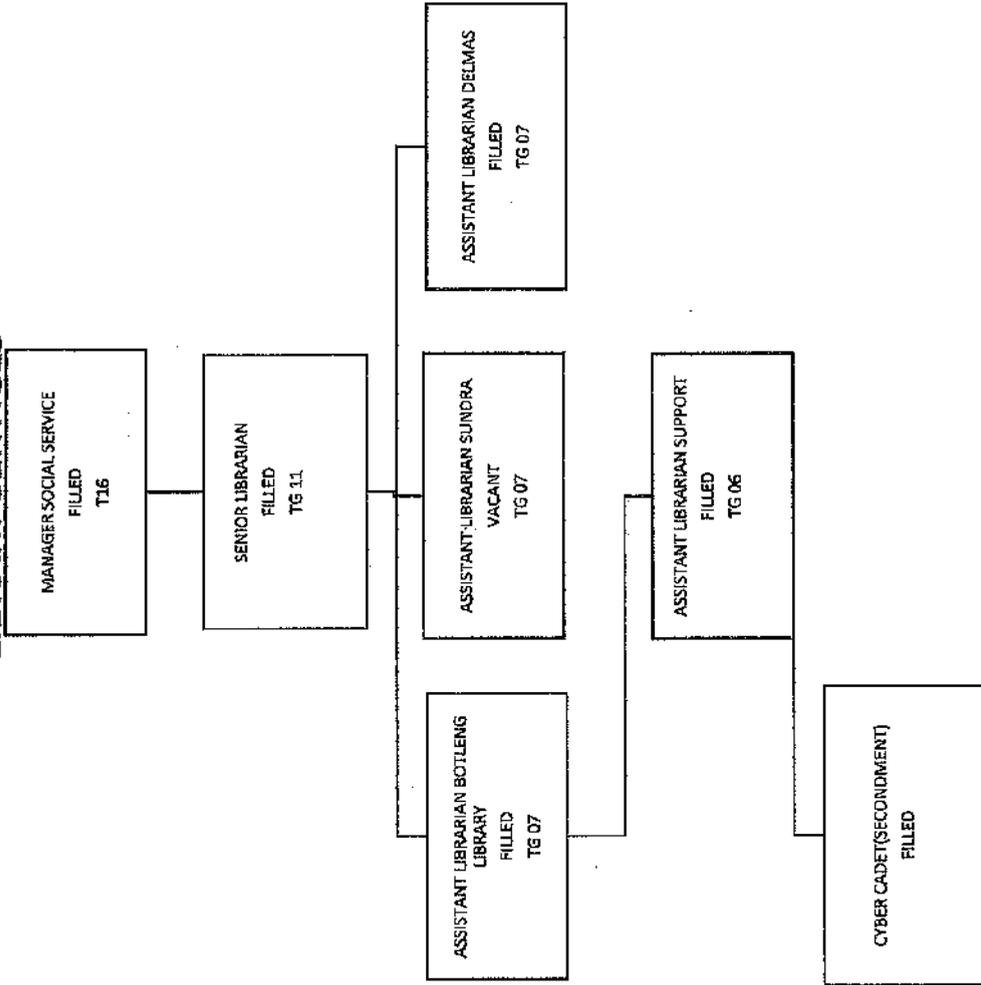
# SOCIAL SERVICES: SPECIAL PROGRAMMES



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

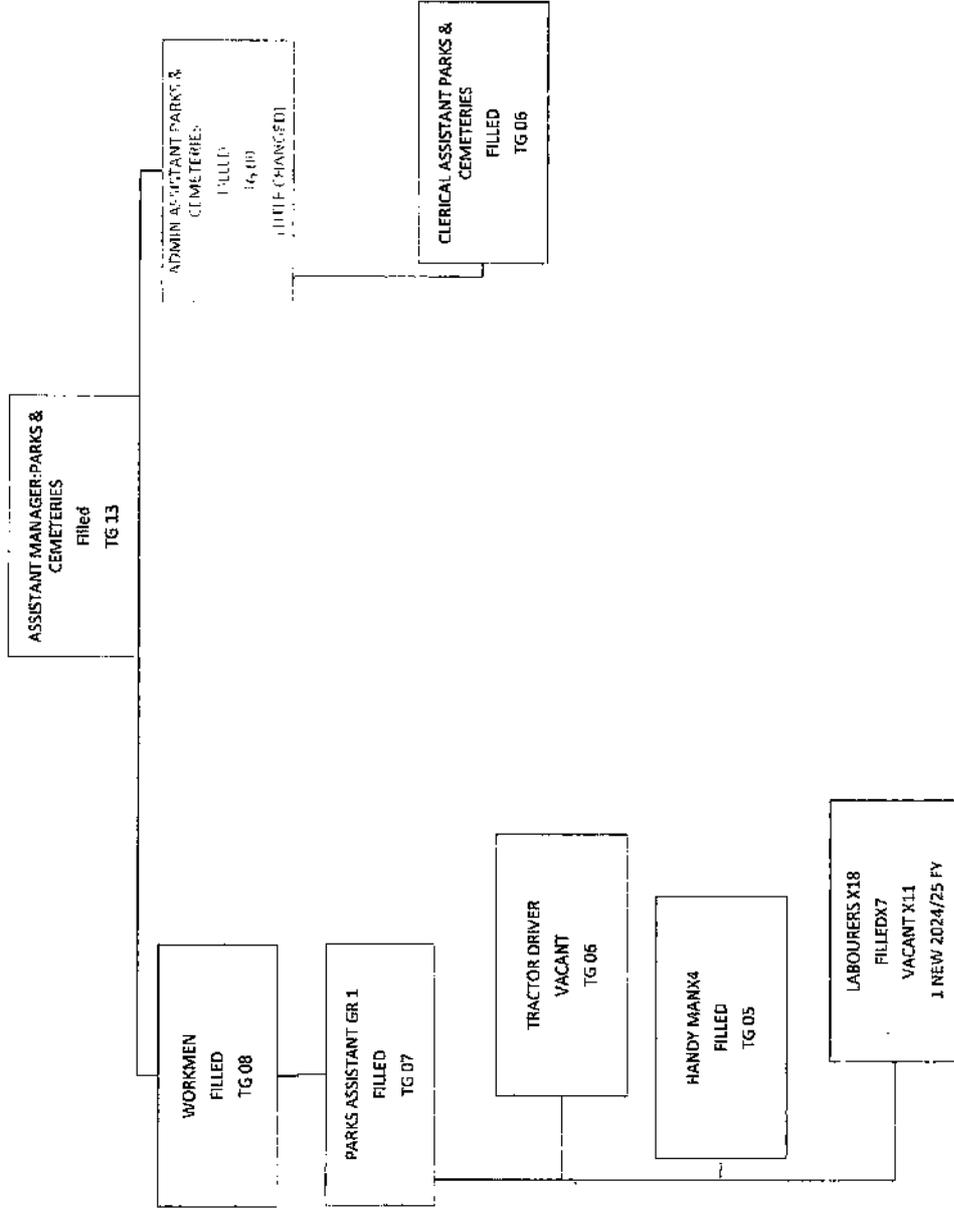
# SOCIAL SERVICES:

## LIBRARY SERVICES



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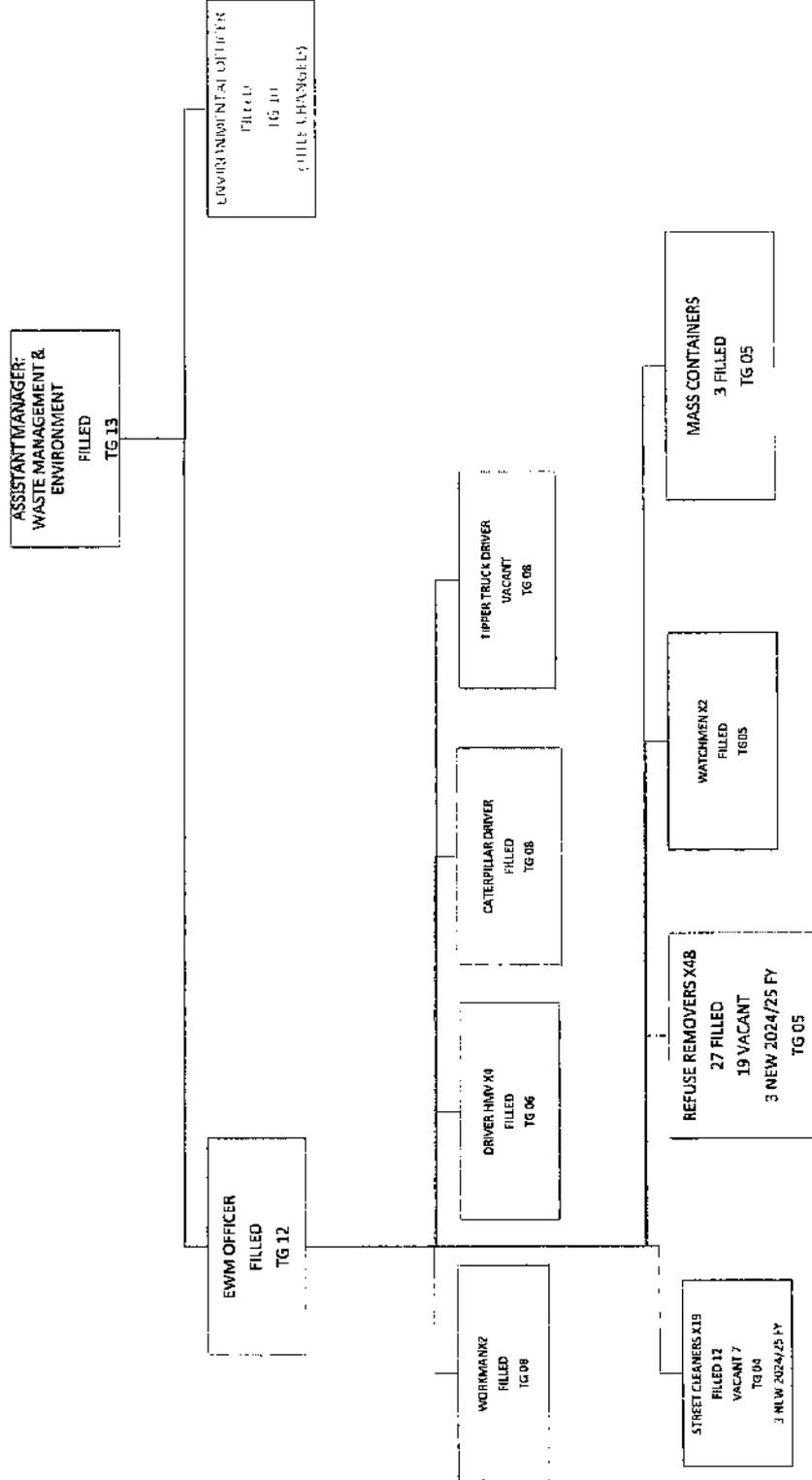
# Social Services Parks and Cemeteries Services



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

# SOCIAL SERVICES:

## Waste Management Services



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

**VICTOR KHANYE LOCAL MUNICIPALITY**



**EXECUTIVE SUMMARY OF GRANTS AND INVESTMENT**

**2025/2026**

**GRANT ALLOCATION AS PER DORA**  
MUNICIPAL INFRASTRUCTURE GRANT  
WATER SERVICE INFRASTRUCTURE GRANT  
FINANCIAL MANAGEMENT GRANT  
EXPANDED PUBLIC WORKS PROGRAMME

	Budget 2025/26 AMOUNTS	Budget 2026/27 AMOUNTS	Budget 2027/28 AMOUNTS
MUNICIPAL INFRASTRUCTURE GRANT	29 618 000	31 895 000	33 215 000
WATER SERVICE INFRASTRUCTURE GRANT	17 000 000	-	-
FINANCIAL MANAGEMENT GRANT	1 900 000	2 000 000	2 100 000
EXPANDED PUBLIC WORKS PROGRAMME	1 976 000	-	-
	<b>50 494 000</b>	<b>33 895 000</b>	<b>35 315 000</b>

**VICTOR KHANYE LOCAL MUNICIPALITY**



**DETAILED OPERATIONAL FINAL BUDGET**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE A**

**VICTOR KHANYE LOCAL MUNICIPALITY**



**DETAILED CAPITAL PROGRAM**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE B**

VICTOR KHANYE LOCAL MUNICIPALITY

CAPITAL PROGRAM

2025/2026 to 2027/2028

1	DETAILS	BUDGETED SPENDING - 2025/2026						2026/2027	2027/2028
		IDP Program	PURCHASED / CONSTRUCTED		TOTAL	FUNDING SOURCE			
			NEW	REPLACEMENT					
2	3	4	5	7	8	7	8		
	<b>CAPITAL EXPENDITURE</b>								
2	<b>Budget &amp; Treasury</b>	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	<b>Office of the Municipal Manager</b>	MM	200 000	0	200 000		209 000	218 405	
	Office furniture & equipment		200 000	0	200 000	Revenue	209 000	218 405	
4	<b>Corporate Services</b>	TSD	450 000	0	450 000		470 250	491 411	
	Office furniture & equipment		450 000	0	450 000	Revenue	470 250	491 411	
5	<b>Community Parks (including Nurseries)</b>	CS	200 000	0	200 000		209 000	218 405	
	Office furniture & equipment		200 000	0	200 000	Revenue	209 000	218 405	
8	<b>Economic Development Unit</b>	MM	150 000	0	150 000		156 750	163 803	
	Office furniture & equipment		150 000	0	150 000	Revenue	156 750	163 803	
9	<b>Office of the Mayor</b>	MM	150 000	0	150 000		156 750	163 803	
	Office furniture & equipment		150 000	0	150 000	Revenue	156 750	163 803	
10	<b>Fire Fighter Unit</b>	CS	300 000	0	300 000		313 500	327 607	
	Office furniture & equipment		300 000	0	300 000	Revenue	313 500	327 607	
11	<b>Town Planning Building Unit</b>	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	<b>Information Technology</b>	IT	3 250 000		3 250 000		5 486 250	5 733 131	
	Computer equipment		250 000		250 000	Revenue	261 250	273 006	
	ICT equipment		3 000 000		3 000 000	Revenue	5 225 000	5 460 125	
7	<b>Fleet Management</b>		6 000 000		6 000 000	Revenue	10 450 000	10 920 250	
	Acquisition of Fleet		6 000 000		6 000 000	Revenue	10 450 000	10 920 250	
8	<b>Electrical Services</b>	ES	5 000 000	0	5 000 000		13 585 000	14 196 325	
	Transformer		5 000 000	0	5 000 000	Revenue	13 585 000	14 196 325	
9	<b>Road Transport</b>	R&W	17 699 868	0	17 699 868		19 461 900	0	
	Tarring of roads and stormwater drainage		16 217 618	0	16 217 618	MIG	17 865 700	0	
	5% PMU		1 482 250		1 482 250	MIG	1 596 200	0	
10	<b>Water</b>	WS	20 500 000	0	20 500 000		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	
	Water infrastructure		17 000 000		17 000 000	WSIG			
11	<b>Waste Management: Sanitation</b>		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	<b>Solid Waste</b>	SW	4 000 000	0	4 000 000		10 657 500	3 822 087	
	Waste bins		2 000 000		2 000 000	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	
	<b>TOTAL CAPITAL EXPENDITURE</b>		<b>65 245 000</b>	<b>0</b>	<b>65 245 000</b>		<b>67 558 500</b>	<b>37 238 049</b>	
	<b>SOURCE OF FINANCE</b>								
	Contributions from revenue		18 600 000		18 600 000		35 634 500	37 238 049	
	Municipal Infrastructure Grant (MIG)		46 645 000		46 645 000		31 924 000	0	
	<b>TOTAL CAPITAL FUNDING</b>		<b>65 245 000</b>	<b>0</b>	<b>65 245 000</b>		<b>67 558 500</b>	<b>37 238 049</b>	

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**



**BUDGET RELATED POLICIES**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE C**



# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

## INDIGENT POLICY

1 July 2025 – 30 June 2026

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

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## **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.

<b>“Essential household services package”</b>	:	means provision of water supply, sanitation, refuse removal, supply of basic energy.
<b>“Household Income”</b>	:	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.
<b>“Illegal connection”</b>	:	a connection to any system through which municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.
<b>“Indigent Household”</b>	:	means individuals who live together in a single residential property and collectively qualifies for indigent relief in terms of this policy.
<b>“Indigent Person”</b>	:	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.
<b>“Municipality”</b>	“	means the “Council” as defined above.
<b>“Occupants”</b>	:	means the owner and/or legal tenant of property and all individuals who live together in a single residential property.
<b>“Pensioner”</b>	:	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 Maximun 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 Polic 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 applicatant will also receive aprepaid 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

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# 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.

	<b>Determination of the Tariff (how)</b>	<b>Standard of Service</b>
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.

<b>Subsidised Services</b>	<b>Economic Services</b>	<b>Trading Services</b>	<b>Property tax</b>
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<ul style="list-style-type: none"> <li>• Cemetery</li> <li>• Library</li> <li>• Fire brigade</li> <li>• Health</li> </ul>	<ul style="list-style-type: none"> <li>• Sanitation and Refuse Removal</li> <li>• Sewer and plumbing</li> <li>• Posters and banners</li> <li>• All rentals (halls and machinery)</li> <li>• Furnishing of information</li> <li>• Building Regulations</li> <li>• Removal of trees</li> <li>• Licence and Traffic</li> </ul>	<ul style="list-style-type: none"> <li>• Electricity</li> <li>• Water</li> </ul>	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 1m<sup>2</sup> (per 90 day or part thereof display)

- Erection of advertisement signs larger than 1m<sup>2</sup> (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 m<sup>3</sup> 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 6m<sup>3</sup> 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 – 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:

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## **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.

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 fancial 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 solvent 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:	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:

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**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.
- (4) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110 (2) of the Act, including-
  - (i) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
  - (ii) Electricity from Eskom or another public entity, another municipality or a municipal entity.
  - (iii) Indigent burial services which will be conducted as per the VKLM indigent policy;
  - (iv) Membership fees payable to professional bodies,
  - (v) Transport services from all registered Taxi Associations,
  - (vi) Purchase of license fees, manufacturer warranties support and maintenance of software,
  - (iv) Tuition and enrolment payable through bursaries and grant funding.

### **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:

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

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:

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

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:

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

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:

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

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.
- (5) **The quorum of the committee is always 50% + 1 member**

### **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.
- (3) The quorum of the committee is always 50% + 1 member

### **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.
- (8) **The quorum of the committee is always 50% + 1 member.**

### **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. Panel of service providers

### 1) Panel of Service Providers

A panel of Service Providers is a tool for the procurement of goods or services which are regularly required by the Municipality.

#### Background

- a) A panel is the result of a procurement process, where a number of suppliers are appointed through an open tender process
- b) The process followed to form a panel is an assessment of suppliers against stipulated evaluation criteria. Only suppliers that met the minimum functionality threshold and represent value for money would be included on a panel.
- c) Once the procurement process has been concluded to establish the panel. Procurement can then be undertaken directly with suppliers that on the panel.

#### Panels within the municipality and procedure to be followed when allocating work

##### I. Panels: Service Providers Appointed based on Price and Preference points only.

- a) All suppliers are selected and invited from the Panel list. Awards are made on price and specified goals.
- b) Depending on the number of suppliers appointed to a specific panel, if possible, awarded service providers are eliminated from the next round of invites to ensure fairness, transparency, and equal distribution of work amongst the panel
- c) If all supplier are invited and only one supplier responds to the request, procurement/awarding of the request may continue but a report must be generated indicating that due diligence was done to obtain more quotations/pricing

##### II. Panels: Services providers Appointed based on fix rate

- a) An appointment is made to a single company as all service providers on the panel are restricted to fix rate.
- b) Awards are on a rotational basis. If there are circumstances that might warrant a deviation from a rotational process a submission for deviation will be generated and signed by the relevant authority.

Procurements via the Panel process may exceed R 300 000.00

## 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;2017,2018,2019,2020,2021,2022,2023,2024,2025



# **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.

<b>Act</b>	Means the Local Government: Municipal Property Rates Act,
<b>Agricultural Property</b>	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

<b>By-law</b>	in the official gazette of the relevant province.
<b>Date of valuation</b>	Means the date determined by a municipality in terms of section 31 (1)
<b>Day</b>	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;";
<b>Effective date</b>	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
<b>Exclusion</b>	In relation to a municipality rating power, means a restriction of that power as provided for in section 17
<b>exemption</b>	In relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15
<b>Indigent</b>	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
<b>Happy Letter</b>	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
<b>Local Municipality</b>	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

<b>Mining property</b>	means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002(Act No. 28 of 2002);
<b>Multiple purpose</b>	in relation to a property, means the use of a property for more than one purpose, subject to section 9
<b>Municipal valuer or valuer of a municipality</b>	Means a person designated as a municipal valuer in terms of section 33
<b>Market Value</b>	In relation to a property means the value of the property determined in accordance with section 46
<b>Municipal property</b>	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

<p><b>Owner</b></p>	<p>'owner'-</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(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:</p> <p>(i) A trustee, in the case of a property in a trust excluding state trust land;</p> <p>(ii) an executor or administrator, in the case of a property in a deceased estate;</p> <p>(iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;</p> <p>(iv) a judicial manager, in the case of a property in the estate of a person under judicial management;</p> <p>(v) a curator, in the case of a property in the estate of a person under curatorship;</p> <p>(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;</p> <p>(vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or</p> <p>(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;</p>
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	property, whether or not that person has a right to occupy the property
<b>pensioner</b>	means a person whom - is at least than 60 years of age on date of application
<b>Permitted use</b>	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
<b>Person</b>	Includes an organ of state
<b>Place of public worship</b>	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;
<b>Property</b>	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
<b>Public Benefits Organization</b>	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

<p><b>Public service infrastructure</b></p>	<p>Publicly controlled infrastructure of the following kinds</p> <ol style="list-style-type: none"> <li>a. National, Provincial or other public roads on which goods, services or labour move across a municipal boundary</li> <li>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</li> <li>c. Power stations, power substations or power lines forming part of an electricity scheme serving the public</li> <li>d. Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels</li> <li>e. Railway lines forming part of a national railway system</li> <li>f. Communication towers, masts, exchanges or lines forming part of a communication system serving the public</li> <li>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.</li> <li>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</li> <li>i. Any other publicly controlled infrastructure as may be prescribed or</li> <li>j. A right registered against immovable property in connection with infrastructure mentioned in paragraph (a) to (i)</li> </ol>
<p><b>Public service purpose</b></p>	<p>ACT in relation to the use of a property, means property owned and used by an organ of state as—</p> <ol style="list-style-type: none"> <li>(a) hospitals or clinics;</li> <li>(b) schools, pre-schools, early childhood development centres or further education and training colleges;</li> <li>(c) national and provincial libraries and archives;</li> <li>(d) police stations;</li> <li>(e) correctional facilities; or</li> <li>(f) courts of law,</li> </ol> <p>but excludes property contemplated in the definition of 'public service infrastructure'</p>
<p><b>Protected Area</b></p>	<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>
<p><b>Rate</b></p>	<p>Means a municipal rate on property envisaged in section 229 (1) (a) of the Constitution</p>
<p><b>Ratable property</b></p>	<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
<b>ratio</b>	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
<b>Rebate</b>	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
<b>Reduction</b>	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

<b>Residential property</b>	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;".
<b>Sectional title act</b>	Means the sectional titles Act 1986 ( Act 95 of 1986)
<b>Sectional title scheme</b>	Means a scheme defined in section 1 of the sectional titles Act
<b>Sectional title unit</b>	Means a unit defined in section 1 of sectional titles Act
<b>State trust land</b>	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)
<b>Vacant Land</b>	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
<b>Zoning</b>	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 differential 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.

## **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.

## **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 determine 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

benefit activities

(l) 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**

<b><u>Category</u></b>	<b><u>Tariff</u></b>
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 30<sup>th</sup> 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**

#### Transferal 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 that 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:

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## 1. DEFINITIONS

1.1 In this Policy, unless the context indicates otherwise, the following definitions are applied:-

<b>"Accounting Officer"</b>	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
<b>"Asset Control Officer"</b>	shall mean the person appointed as Asset Officer under section 6.2 below
<b>"Asset Officer"</b>	shall mean the person appointed as Asset Officer under section 6.2 below
<b>"Assistant Manager: Asset Management"</b>	shall mean the person appointed as Asset Officer under section 6.2 below
<b>"CFO"</b>	means the Chief Financial Officer designated in terms of section 80(2) (a) of the Local Government: Municipal Finance Management Act No56 of 2003
<b>"Cost"</b>	shall comprise costs of purchase, costs conversion and other costs incurred in bringing the inventories to their present location and condition
<b>"Delegated authority"</b>	means the official who is given the authority for relevant functions in terms of the municipality's written delegations;
<b>"Good received note"</b>	means a document which is used to acknowledge the receipt of goods in good condition and correct quantities
<b>"Inventories"</b>	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
<b>"Municipality"</b>	shall mean the Victor Khanye Local Municipality;
<b>"Net Realisable Value"</b>	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.

<b>“Obsolete inventory”</b>	means items that have expired, are redundant or damaged;
<b>“Re-order level”</b>	means the level of inventory at which inventory is re-ordered;
<b>“Requisition form”</b>	means a written request to the Inventory Supervisor to supply specified inventory;
<b>“Store”</b>	means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;
<b>“Stores Clerical Assistant”</b>	means the official responsible for the receipt, issue and safeguarding of inventory and cost-effective and efficient management of inventory.
<b>“Stock requisition form”</b>	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.
- 5.4.8 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.

6.5.18 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.
- 7.3 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
<b>1.</b>	<b>Ordering of Inventory:</b>	
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"> <li>• Reorder Level</li> <li>• Maximum Level</li> <li>• Minimum Level</li> <li>• Emergency Level</li> </ul>	On-going
	The Stores Clerical Assistant :	
1.2	<ul style="list-style-type: none"> <li>• Must use the listing as a primary source of information to complete the purchase requisition; and</li> <li>• Physical inspection of stock on shelves shall be conducted before the requisition is filled in</li> </ul>	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
<b>2.</b>	<b>Receipt of Stock:</b>	
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.	
<b>3.</b>	<b>Maintenance of Stores:</b>	
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
<b>4.</b>	<b>Issue of Stock:</b>	
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
<b>5.</b>	<b>Disposal of Goods:</b>	
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









# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

**COST CONTAINMENT POLICY**  
**1<sup>st</sup> July 2025 until 30 June 2026**

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

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## **1. DEFINITIONS / ABBREVIATIONS:**

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

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

**“Consultant”** – means a professional person, individual, partnership, corporation or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality to perform its functions to achieve the objects of local government in terms of Section 152 of the Constitution.

**“Cost containment”** – means measures implemented to curtail spending in terms of this policy; and

**“Credit card”**- means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

**MCCR** – Local Government: Municipal Cost Containment Regulations

**MFMA** - Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)

## **2. OBJECT OF THE POLICY:**

The object of this policy in line with Sections 62(1) (a), 78(1) (b), 95(a), and 105 (1) (b) of the Act, is to ensure that resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.

## **3. APPLICATION OF THE POLICY**

This policy applies to all officials and political office bearers of the municipality. This policy must be applied in conjunction with the MCCR, as well as MFMA Circular No 97 on Municipal Cost Containment Measures.

## **4. USE OF CONSULTANTS**

4.1 A municipality may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality does not have the requisite skills or resources in its full-time employ to perform the function.

4.2 An Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates-

- a) Determined in the "Guideline on fees for audits undertaken on behalf of the Auditor General of South Africa," issued by the South African Institute of Chartered Accountants;
- b) Set out in the "Guide on Hourly Fee Rates for Consultants" issued by the Department of Public Service and Administration; or
- c) As prescribed by the body regulating the profession of the consultant.

4.3 The tender documentation for the appointment of consultants must include a clause that remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in clause (4.2) above.

4.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.

4.5 When consultants are appointed, an accounting officer must –

- (a) Appoint consultants on a time and cost basis with specific start and end dates;
- (b) Where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
- (c) Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- (d) Ensure the transfer of skills by consultants to the relevant officials of a municipality; Skills may be transferred through the provision of workshops or on the job training;
- (e) undertake all engagements of consultants in accordance with Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy; and
- (f) Develop consultancy reduction plans to reduce the reliance on consultants.

4.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.

4.7 A municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

4.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

4.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

## **5. VEHICLES USED FOR POLITICAL OFFICE BEARERS**

5.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70%(VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.

5.2 The procurement of vehicles in clause 5.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

5.3 Before deciding to procure a vehicle as contemplated in clause 5.2, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:

(a) Status of current vehicles

(b) Affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided the most cost-effective option is followed and the cost is equivalent to or lower than that contemplated in clause 5.1. Costs represents total costs including financing charges.

(c) Extent of service delivery backlogs.

(d) Terrain for effective usage of the vehicle; and

(e) Any other policy of council

5.4 If the rental referred to in clause 5.3 is preferred the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

5.5 Regardless of their usage, the vehicles for use by political office bearers may only be replaced after completion of 120 000 km.

5.6 Notwithstanding clause 5.5, a municipality may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

5.7 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

## **6. TRAVEL AND SUBSISTENCE**

6.1 An accounting officer –

(a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for flights is five hours or less; and

(b) may only approve the purchase of business class tickets for officials, political office bearers, and persons reporting directly to the accounting officer for flights exceeding five hours.

6.2 In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

6.3 Notwithstanding clause 6.1 or 6.2, an accounting officer, or the mayor in the case of an accounting officer may approve the purchase of business class tickets for an official or a political office bearer with a disability of a medically certified condition.

6.4 International travel to meetings or events that are considered critical must be limited. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

6.5 An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only –

(a) during peak holiday periods; or

(b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in that particular geographical area.

6.6 An official or a political office bearer of a municipality must, where viable:

(a) Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;

(b) Make use of available public transport or a shuttle service if the cost of such a service is lower than-

(i) The cost of hiring a vehicle;

(ii) The cost of kilometers claimable by the official or political office bearer; and

(iii) The cost of parking.

- (c) not hire vehicles from a category higher than Group B or an equivalent class; and
- (d) Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting office before hiring the vehicle.

6.7 The above in paragraph 6.6 does not oblige the use of public or alternative modes of transport for public office bearers and officials, but rather requires municipalities to ensure that expenditure in this regard is reasonable and balanced against the service delivery needs and priorities of the municipality. In the case of Alfred Duma Local Municipality public transport is not viable due to safety, risk and practical implementation.

6.8 A municipality may hire a vehicle that is higher than the Group B class outlined in regulation 7(6), but only where this is required for a particular terrain or to cater for the special needs of an official or public office bearer or when the number of officials attending a specific event necessitate a higher class vehicle. However, this must be done with the prior approval of the accounting officer.

6.9 A municipality must utilize the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation that can be negotiated with other service providers that offer lower rates.

6.10 Therefore, in determining the appropriate mode of transport to enable the performance of duties, municipalities should apply the factors mentioned in the regulation. However, these factors are not exhaustive and the cost containment policy of the municipality and municipal entity may include other factors including safety considerations.

6.11 The municipality must first consider their own fleet, where viable, prior to hiring of vehicles. The use of shuttle services, if the cost of such a service is below the cost of hiring a vehicle, and other options can be considered. Therefore, accounting officers must encourage officials and councilors to make use the most cost effective option so as to reduce travel costs. Council policy can permit employees to accept up-graded group of hired vehicles if such an up-grade is offered with no extra charge or at a lower charge than a Group B vehicle. Vehicle travel claims by employees of municipalities must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme. The principle of cost containment and savings should inform council's policies.

#### 6.12 Air Travel

a) The National Treasury has negotiated with South African Airways (SAA) and Comair/British Airways (BA) for upfront discounted air fares for government employees, including councilors, travelling domestically for

official purpose. These Domestic Air Travel Fares will be regularly reviewed by the National Treasury (These rates are not applicable for International Air Travel).

b) For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.

c) For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.

d) The premise of "Best Fare on the Day" should be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Municipalities and municipal entities must also request quotations from other Low Cost Carriers. Please note that all discounted rates are subject to class availability.

e) In order to make full use of the corporate discount with SAA and BA, municipalities and municipal entities must instruct their appointed TMCs or persons making their bookings for domestic airline tickets, to book against the relevant deal codes as detailed in Annexure B.

f) Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agent's name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.

g) Travel agencies are only permitted to make booking arrangements on behalf of municipalities in line with the MCCR, 2019 read together with Circular 97 of the MFMA on Municipal Cost Containment Measures.

h) Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

## **7. DOMESTIC ACCOMODATION**

7.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice. When sourcing

accommodation for officials, the municipality should find options that are equal to or lower than the rates as determined by MFMA Circular 97 on Municipal Cost Containment Measures, depending on the allowable star grading and the band. Competition and cost effectiveness must remain a key principle.

7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometers, or where attendance is required over a number of days.

7.3 There may be circumstances that such limitations in paragraph 7.2 above may be impractical. For example, there is a risk to the health of the official or councilor and cost vs benefit considerations can warrant such expenditure. Approval by the Accounting Officer is required for such exceptions.

## **8. CREDIT CARDS**

8.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality is issued to any official or political office bearer.

8.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved policy and processes. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.

8.3 While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilized in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

## **9. SPONSORSHIPS, EVENTS AND CATERING**

9.1 A municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless prior written approval of the accounting officer is obtained.

9.2 An accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.

9.3 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

9.4 The municipality must not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

9.5 A municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.

9.6 An accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

## **10. COMMUNICATION**

10.1 A municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers, except for areas where internet connectivity is problematic.

10.2 Paragraph 10.1 above does not apply legislative provisions, which require the municipality to advertise certain processes in newspapers including public participation processes.

10.3 An accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality.

10.4 A municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **11. CONFERENCES, MEETINGS AND STUDY TOURS**

11.1 An accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or

non-governmental institutions held within and outside the border of South Africa taking into account their merits and benefits, costs and available alternatives. Motivations addressing the above must be submitted to the Accounting Officer for approval.

11.2 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, an accounting officer or mayor as the case may be, must take the following into account –

- (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
- (b) whether the conference or event addresses relevant concerns of the institution;
- (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
- (d) the availability of funds to meet the expenses related to the conference or event.

11.3 An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to the granting approval for an official to attend a conference or event within and outside the borders of South Africa.

11.4 The benchmark costs referred to in clause 11.3 may not exceed an amount as determined from time to time by National Treasury through a notice. The benchmark cost for attendance of conferences is currently two thousand five hundred rand R2 500.

11.5 The amount referred to in clause 11.4 excludes costs related to travel, accommodation and related expenses, but includes-

- (a) conference or event registration expenses; and
- (b) any other expenses incurred in relation to the conference or event.

11.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.

11.7 The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.

11.8 Municipal or provincial office facilities must be utilized for conference, meetings, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction.

11.9 An accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in clause

11.10 A municipality must, where applicable, take advantage of early registration discounts by granting required approvals to attend the conference, event or study tour in advance.

## **12. OTHER RELATED EXPENDITURE ITEMS**

12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.

12.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.

12.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.

12.4 The municipality must avoid expenditure on elaborate and expensive office furniture.

12.5 The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.

12.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.

12.7 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

### **13. ENFORCEMENT PROCEDURES**

13.1 Failure to implement or comply with this policy may result in any official of the municipality, or political office bearer that authorized or incurred any expenditure contrary to this policy being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

### **14. DISCLOSURE OF COST CONTAINMENT MEASURES**

14.1 The disclosure of cost containment measures applied by the municipality will be reported to Council on a monthly basis as part of the in-year budget (Section 71) reports and annual cost savings disclosed in the annual report.

14.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.

14.3 The reports referred to in clause 14.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

### **15. REVIEWAL OF THE POLICY**

15.1 This policy is in line with the Municipal Cost Containment Regulations, 2019, Notice 317 of 2019, Government Gazette No. 42514 and will be reviewed annually or when the regulations are changed or updated.



# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

## ASSET MANAGEMENT POLICY

Policy Number: N/A	Approved by Council: N/A
Resolution No: N/A	Review Date: N/A

## 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 god 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 an 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**

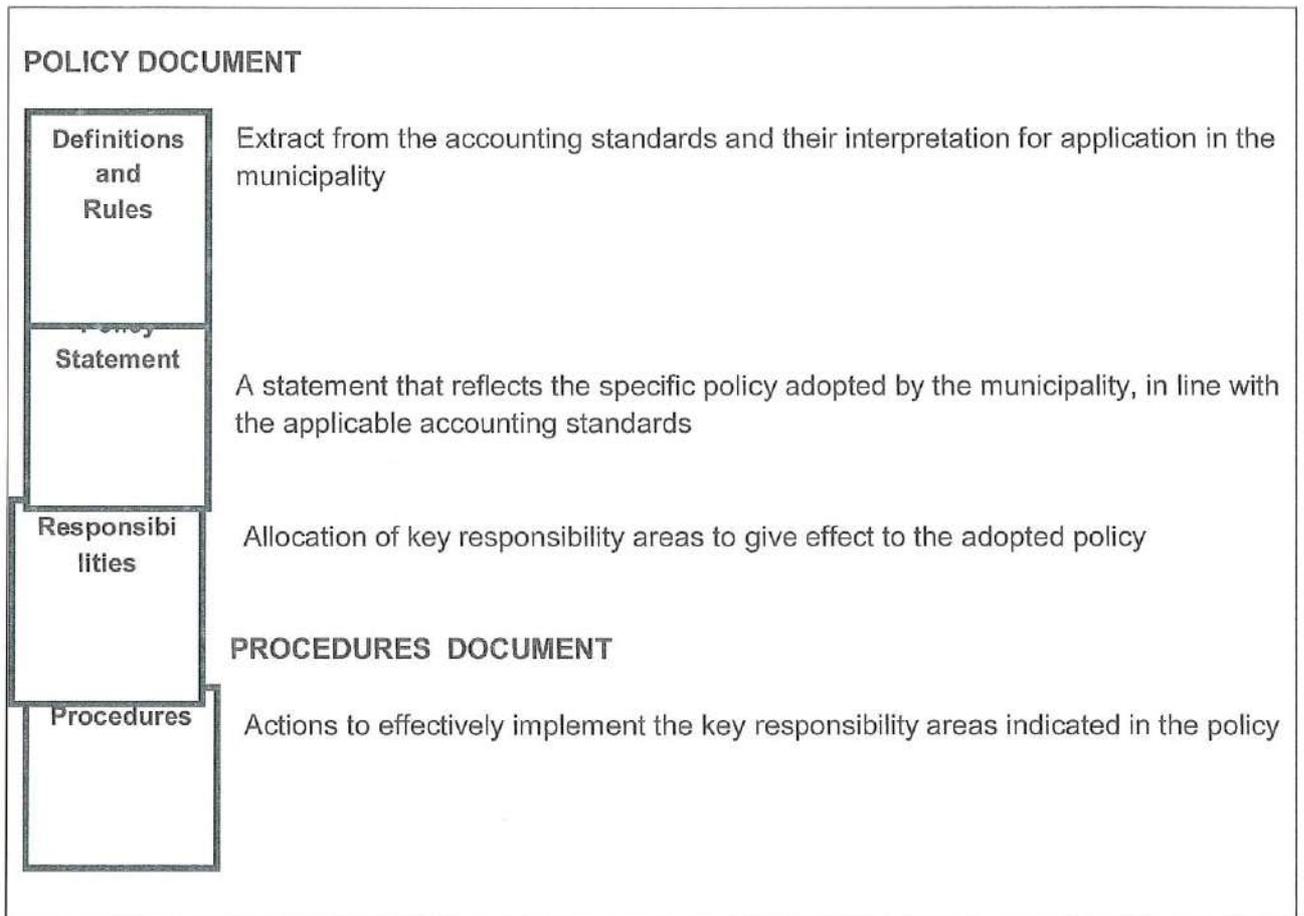
**The following references were observed in compiling this document:**

- 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 immoveable 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 as asset for an agreed period of time in return for a payments. 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 immovable assets which are part of a network of similar assets.

**PPE Community Property**

Community property assets are immovable 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
Sport & Recreation Facilities	Indoor Facilities	
	Outdoor Facilities	
Heritage Assets	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 as 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.

#### **Spare**

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 an asset to generate a "commercial return" indicates that an entity intends to generate positive cash inflows from 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 is 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.

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### **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

Item	Description	Quantity	Value
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

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

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

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

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

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 Type	Description Type	EUL (yrs.)	Residual 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	Description Type	EUL (yrs.)	Residual 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 Name	Description	Quantity	Value (R)
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

Asset Description	Asset Type / Material	IPM Value	Current Value
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 No.	Description	Quantity	Estimated Value
37	Specialised Vehicle	Trailer	15
38	Specialised Vehicle	Trailer (Mass Container)	15
39	Specialised Vehicle	Emergency Trucks	20
40	Specialised Vehicle	Ambulance	5
41	Plant and Equipment	Generator	5
42	Plant and Equipment	Ladder	5



# VICTOR KHANYE LOCAL MUNICIPALITY

## CONTRACT MANAGEMENT POLICY

<b>Original Author(s)</b>	
<b>Policy Status</b>	
<b>Council Resolution No.</b>	
<b>Date of Approval</b>	
<b>Signature of the Speaker</b>	
<b>Signature of the Municipal Manager</b>	

## 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, the process 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, 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"> <li>● 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</li> <li>● 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.</li> </ul>
Non delivery	<ul style="list-style-type: none"> <li>● Termination of the contract if delivery does not take place within 4 months or cancellation of the order. (To reduce open ended commitments)</li> <li>● 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</li> </ul>
Inferior quality	<ul style="list-style-type: none"> <li>● Enforcement of contract conditions</li> <li>● Settlement of disputes</li> </ul>
Inability of contractor to	<ul style="list-style-type: none"> <li>● 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</li> </ul>

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"> <li>• 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.</li> </ul>
Sub-contractors not performing	<ul style="list-style-type: none"> <li>• Disputes must be resolved between the main contractor and his sub-contractors.</li> <li>• Liability and obligations are under the contractor.</li> <li>• Enforce Termination of default</li> <li>• Prohibit supplier from rendering any goods, service, and works in organ of state – Restrict supplier on the National Treasury 's Central Supplier Database</li> </ul>
Skills not transferred in terms of consultant's services	<ul style="list-style-type: none"> <li>• The Municipality shall deduct from the contract price a percentage as a penalty for not transferring skills or for underperformed service.</li> </ul>
Breach of contract	<ul style="list-style-type: none"> <li>• Termination of default and recover any loss which the Municipality suffered as a result of arranging another contract</li> </ul>
Contractor unfairly benefited using wrong preference points	<ul style="list-style-type: none"> <li>• Misrepresentation of preference points should constitute termination of contract if it is justifiable and will be defensible in the court of law</li> <li>• Impose a penalty of a percentage of the monetary value of the contract</li> </ul>
Prohibition of State employees doing business with state	<ul style="list-style-type: none"> <li>• No contracts must be awarded to state employees</li> </ul>

#### 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



**CREDITORS AND STAFF PAYMENT POLICY**  
**2025/2026**

Policy Number:	Approved by Council:
Resolution No:	Review Date:2025/03/13

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## **1. DEFINITIONS AND ABBREVIATIONS**

### **1.1 DEFINITIONS**

<b>"Accounting Officer"</b>	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.
<b>"Accounts Payable"</b>	Accounts Payable is money owed by an organization to its vendors/suppliers (Trade Creditors) for good and services purchased on credit.
<b>"A construction Contract"</b>	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.
<b>"Credit Note"</b>	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.
<b>"Disbursement Transaction"</b>	Refer to the payment of invoices received for goods and services.
<b>"Electronic Fund Transfer"</b>	The electronic movement of funds from the Municipality's main bank account to the different vendor/supplier accounts in the same or different banks.
<b>"Goods Receipt Note"</b>	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.
<b>"IDP"</b>	Means Integrated Development Plan.
<b>"Invoice"</b>	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 25<sup>th</sup> of each month with the exception of December.
- (f) If the 25<sup>th</sup> 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
  - (s) 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 1<sup>st</sup> to the 14<sup>th</sup> will be paid by the 20<sup>th</sup> or the next working day.
  - Invoices received from the 21<sup>th</sup> to the 14<sup>th</sup> will be paid by the 15<sup>th</sup> of the following month or the next working day.

NB: From the 1<sup>ST</sup> till the 6<sup>th</sup> 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

## LOSS CONTROL POLICY

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

<b>"Accounting Officer"</b>	means the Municipal Manager for the Municipality as contemplated in section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003
<b>"Asset Control Practitioner"</b>	shall mean the person appointed as Asset Practitioner under section 2.4 below
<b>"Assistant Manager: Asset Management"</b>	shall mean the person appointed as Assistant Manager: Asset Management under section 2.4 below
<b>"CFO"</b>	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
<b>"Municipality"</b>	shall mean the Victor Khanye Local Municipality
<b>"MFMA"</b>	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.

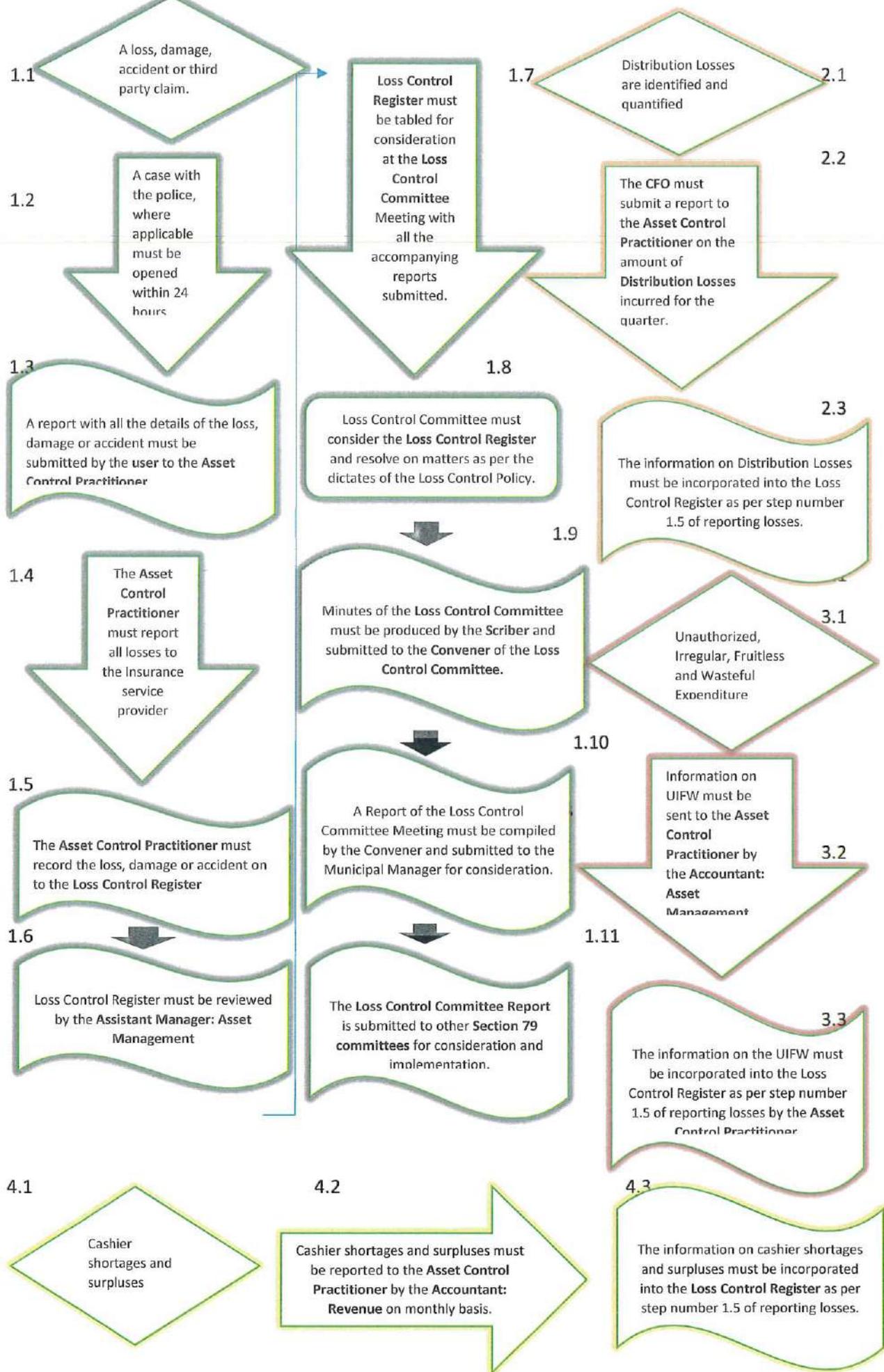
**11. COMMENCEMENT**

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 \_\_\_\_\_<sup>th</sup> day of May 2025.

**Annexure A: Losses and Claims Process Flow Chart**





# **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.

<b>Act</b>	Means the Local Government: Municipal Property Rates Act,
<b>Agricultural Property</b>	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

<b>By-law</b>	in the official gazette of the relevant province.
<b>Date of valuation</b>	Means the date determined by a municipality in terms of section 31 (1)
<b>Day</b>	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;”;
<b>Effective date</b>	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
<b>Exclusion</b>	In relation to a municipality rating power, means a restriction of that power as provided for in section 17
<b>exemption</b>	In relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15
<b>Indigent</b>	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
<b>Happy Letter</b>	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
<b>Local Municipality</b>	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

<b>Mining property</b>	means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002(Act No. 28 of 2002);
<b>Multiple purpose</b>	in relation to a property, means the use of a property for more than one purpose, subject to section 9
<b>Municipal valuer or valuer of a municipality</b>	Means a person designated as a municipal valuer in terms of section 33
<b>Market Value</b>	In relation to a property means the value of the property determined in accordance with section 46
<b>Municipal property</b>	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

<b>Owner</b>	<p>'owner'-</p> <ul style="list-style-type: none"><li>(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;</li><li>(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;</li><li>(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</li><li>(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"><li>(i) A trustee, in the case of a property in a trust excluding state trust land;</li><li>(ii) an executor or administrator, in the case of a property in a deceased estate;</li><li>(iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;</li><li>(iv) a judicial manager, in the case of a property in the estate of a person under judicial management;</li><li>(v) a curator, in the case of a property in the estate of a person under curatorship;</li><li>(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;</li><li>(vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or</li><li>(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;</li></ul></li></ul>
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	property, whether or not that person has a right to occupy the property
<b>pensioner</b>	means a person whom - is at least than 60 years of age on date of application
<b>Permitted use</b>	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
<b>Person</b>	Includes an organ of state
<b>Place of public worship</b>	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;
<b>Property</b>	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
<b>Public Benefits Organization</b>	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

<p><b>Public service infrastructure</b></p>	<p>Publicly controlled infrastructure of the following kinds</p> <ul style="list-style-type: none"> <li>a. National, Provincial or other public roads on which goods, services or labour move across a municipal boundary</li> <li>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</li> <li>c. Power stations, power substations or power lines forming part of an electricity scheme serving the public</li> <li>d. Gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels</li> <li>e. Railway lines forming part of a national railway system</li> <li>f. Communication towers, masts, exchanges or lines forming part of a communication system serving the public</li> <li>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.</li> <li>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</li> <li>i. Any other publicly controlled infrastructure as may be prescribed or</li> <li>j. A right registered against immovable property in connection with infrastructure mentioned in paragraph (a) to (i)</li> </ul>
<p><b>Public service purpose</b></p>	<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"> <li>(a) hospitals or clinics;</li> <li>(b) schools, pre-schools, early childhood development centres or further education and training colleges;</li> <li>(c) national and provincial libraries and archives;</li> <li>(d) police stations;</li> <li>(e) correctional facilities; or</li> <li>(f) courts of law,</li> </ul> <p>but excludes property contemplated in the definition of 'public service infrastructure'</p>
<p><b>Protected Area</b></p>	<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>
<p><b>Rate</b></p>	<p>Means a municipal rate on property envisaged in section 229 (1) (a) of the Constitution</p>
<p><b>Ratable property</b></p>	<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
<b>ratio</b>	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
<b>Rebate</b>	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
<b>Reduction</b>	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

<b>Residential property</b>	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;”.
<b>Sectional title act</b>	Means the sectional titles Act 1986 ( Act 95 of 1986)
<b>Sectional title scheme</b>	Means a scheme defined in section 1 of the sectional titles Act
<b>Sectional title unit</b>	Means a unit defined in section 1 of sectional titles Act
<b>State trust land</b>	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)
<b>Vacant Land</b>	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
<b>Zoning</b>	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.

## **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.

## **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 determine 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

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**

<u>Category</u>	<u>Tariff</u>
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' 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**

### **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

## 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 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.

**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 categories 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

<b>The following deposits will be applicable:</b>	<b>2024/25</b>
<b>Low voltage:</b> single phase Three phase 0 – 199 KVA	
<b>High voltage:</b> 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**

<b>Outstanding Balance (arrears 30 days and above)</b>	<b>Minimum Deposit</b>	<b>Maximum Duration of repayment</b>
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.

- 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**

<b>Outstanding Balance (arrears 30days and above)</b>	<b>Deposit</b>	<b>Maximum Duration of repayment</b>
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:

- Copy ID of company representative
- Certified copies of company registration
- Proxy letter or resolution on company letterhead authorizing company representative to acknowledge debt on behalf of company/entity.
- 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
- 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**

Councillors 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 councillors 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 its 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**

1. 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.

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# 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 councilor 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 simulative 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**

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## **BUDGET PROCESS POLICY AND PROCEDURES 2025/2026**

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## **1. Objective**

The objective of this policy is to set out the budgeting principles and procedures which the municipality will follow in preparing each annual budget, as well as the adjustment budget.

## **2. Compliance with Legal Provisions**

In the process of preparing the budget, the Municipality, the Mayor, political office bearers, Municipal Manager, Chief Financial Officer and other officials shall comply with all relevant legal requirements, including in particular, the provisions of Chapter 4 (Sections 15 to 33) of the Local Government: Municipal Finance Management Act, 2003 ("the MFMA"), as well as Sections 42, 43, 52, 53, 54, 55, 68, 69, 70, 71, 72, 75, 80, 81 and 83 thereof;

- 2.1 The Local Government: Municipal Finance Management Act (56/2003): Municipal Budget and Reporting Regulations, as amended ("the Regulations") published in terms of Section 168 of the MFMA under General Notice 393 of 2009;
- 2.2 The Local Government: Municipal Finance Management Act, 2003 Municipal Regulations on Standard Charts of Accounts ("the mSCoA Regulations") published in terms of Section 168 of the MFMA under Government Notice No. 312 of 2014, and
- 2.3 All relevant budget-related circulars and notices issued by the National Treasury.

## **3. Budget Steering Committee**

- 3.1 The Municipal Manager shall establish a Budget Steering Committee as required by Regulation 4 of the Regulations.
- 3.2 The function of the Budget Steering Committee is to provide technical assistance to the Mayor in discharging his responsibilities set out in Section 53 of the MFMA

## **4. Budget-Related Policies**

- 4.1 The Municipal Manager must ensure that budget related policies of the Municipality, or any necessary amendments to such policies, are prepared for tabling in Council by the applicable deadlines specified in terms of Section 21.(1) (b) of the MFMA.
- 4.2 The Municipality may consult with professional bodies and advisors for purposes of preparing such policies.
- 4.3 Policies that affect or are affected by the annual budget include the following:
  - The tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
  - The rates policy which the municipality must adopt in terms of section 3 of the Municipal Property Rates Act;

- The credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- The cash management and investment policy which the municipality must adopt in terms of section 13(2) of the MFMA;
- The borrowing policy which must comply with Chapter 6 of the MFMA;
- The funding and reserves policy which must comply with regulation 8 of the Regulations;
- The policy related to the long-term financial plan;
- The supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;
- The policy dealing with the management and disposal of assets;
- The policies dealing with infrastructure investment and capital projects, including:
  - the policy governing the planning and approval of capital projects; and
  - the policy on developer contributions for property developments;
- The indigents policy;
- The policy related to the provision of free basic services;
- The policy related to budget implementation and monitoring including –
  - the shifting of funds within votes;
  - the introduction of adjustments budgets;
  - unforeseen and unavoidable expenditure; and
  - management and oversight;
- The policy related to managing water including –
  - the management of losses; and
  - the promotion of conservation and efficiency;
- The policies relating to personnel, including policies on overtime, vacancies and temporary staff;
- Asset Management Policy; (needs consideration and updating to bring out category requirements in mSCOA)

## **5. Delegations and Responsibility for Implementation**

- 5.1** All such powers as may be necessary for the Municipal Manager and the Chief Financial Officer to carry out their respective responsibilities under this policy shall be delegated or sub delegated, as the case may require, to them in accordance with the relevant provisions of the MFMA and the Municipal Systems Act and recorded in the appropriate register of delegations.
- 5.2** The Municipal Manager shall be responsible for the implementation of this policy, provided that the Municipal Manager shall delegate such powers to the Chief Financial Officer.

## **6. Budget Time Schedule**

- 6.1 The Mayor shall table the budget time schedule as required by Section 21.(1) (b) of the MFMA, for the adoption by Council.
- 6.2 Such time schedule shall indicate the target dates for the draft revision of the IDP and the preparation of the annual budget for that budget year. The target dates shall follow the prescriptions of the MFMA.
- 6.3 The Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.

## **7. Budget to be balanced**

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

## **8. Funding of Expenditure**

- 8.1 In accordance with the provisions of Section 18.(1) of the MFMA, an annual budget may be funded only from:
  - Realistically anticipated revenues to be collected;
  - Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
  - Borrowed funds, but only for capital projects.
- 8.2 Realistically anticipated revenues to be received may only be included in the annual budget if there is acceptable documentation that guarantees the funds, as provided by Regulation 10.(2).
- 8.3 All expenses, excluding depreciation expenses, shall be cash-funded.

## **9. Zero -Based Budgeting**

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

## **10. Contents of Budget**

- 10.1 The budget must comply with the provisions of Section 17.(1) of the MFMA, and in particular:
  - The budget must be in the format prescribed by the Regulations;
  - The budget must reflect the realistically expected revenues by Function and mSCOA funding source for the budget year concerned;
  - The expenses reflected in the budget must be divided into the votes of the various Functions and sub-functions of the municipality;

- The budget must also contain:
  - All six mSCOA segments i.e. Function, Project, Item, Funding, Region, and Costing.
  - The foregoing information for the two years immediately succeeding the financial year to which the budget relates;
  - The actual revenues and expenses for the previous financial year;
  - The estimated revenues and expenses for the current year, and
  - The monthly cash flow projects for the revenue and expenditure budgeted.
- The budget must be accompanied by all of the documents referred to in Section 17.(3) of the MFMA.
- For the purposes of Section 17.(3)(k) of the MFMA, the salary, allowances and benefits of each person referred to therein must be stated individually.

## **11. Capital and Operating Components**

11.1 The annual budget and adjustments budget shall, as required by Section 17.(2) of the MFMA consist of:

- The capital component, and
- The operating component.

11.2 The operating component shall duly reflect the impact of the capital component on:

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

11.3 Before approving the capital budget component of the annual or adjustments budget, Council shall consider the impact of the capital component on the present and future operating budgets of the municipality in relation to the items referred to in paragraph 11.2.

11.4 Each department head shall, prior to providing for any expenditure in respect of any capital item in the budget of his or her department's budget, and in any event no later than 31 January prepare and submit to the Chief Financial Officer a business plan relating to such capital item, which business plan shall contain the following information regarding such item:

- A full description;
- Its purpose and link to the IDP and Capital Investment Plans;
- The expected beneficiaries;
- Alternative means of providing the same benefits;
- An acquisition, construction and implementation plan (as applicable);

- The expected useful life;
- The principal cost;
- The sources of funding;
- A schedule of financing costs;
- A maintenance plan;
- A schedule of envisaged maintenance costs;
- A depreciation schedule; and
- Insurance costs.

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

Council may establish a capital replacement reserve for the purpose of financing capital projects and the acquisition of capital assets. Such reserve shall be established from the following sources of revenue:

- Inappropriate cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- Interest on the investments of the asset financing reserve, appropriated in terms of the banking and investments policy;
- Further amounts appropriated as contributions in each annual or adjustments budget; and
- Net gains on the sale of fixed assets.

## **13. Financing of Capital Budget**

The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.

The provisions of Regulation 11 must be complied with in relation to the funding of capital expenditure.

## **14. Determination of Votes**

In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used, provided that in so doing the Chief Financial Officer shall properly and adequately consider the Government Finance Statistics (GFS) Classification Framework and mSCOA, reflect the organizational structure of the Municipality, and further in so doing shall comply with the budget format prescribed by the Regulations.

Each departmental head shall be responsible for determining the line items to be shown under each vote, subject to compliance with mSCOA and the approval of the Chief Financial Officer or official(s) delegated by him/her.

## **15. Provisions for Leave and Employee Benefits, Bad Debts, Obsolescence and Other expenses**

During each annual and adjustments budget the municipality shall establish and/or make budget provision for, or reduce contributions for future expenses accruing in each year, estimated up to the end of each financial year (30 June), for the following:

- Accrued leave entitlements of officials;
- Staff benefits, including post-retirement benefits (pension and/or medical aid);
- Bad debts in respect of its approved rates and tariffs policies;
- Obsolescence and deterioration of stock;
- Performance bonuses;
- Restoration of landfill site(s), and
- Any other need where an obligation exists.

## **16. Provision for Maintenance**

The Municipality shall adequately provide in each annual and adjustments budget for the maintenance of its fixed and movable assets in accordance with its fixed asset management policy. 15% of the operating budget component of each annual and adjustments budget shall be set aside for such maintenance.

Notwithstanding anything contained to the contrary in any other policy of the Municipality, no funds budgeted for maintenance may be used or transferred for any other purpose without the express consent of the Chief Financial Officer.

## **17. Salaries and Allowances**

The budget for salaries, allowances and salary-related benefits shall be separately prepared, and shall not exceed 35% of the aggregate operating budget component of the annual or adjustments budget. For purposes of applying this principle, the remuneration of political office bearers and other councilors shall not be included in this limit.

## **18. Depreciation and Finance Charges**

- 18.1 Depreciation and finance charges together shall not exceed 5% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.
- 18.2 Finance charges payable by the municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the carrying value of the fixed assets belonging to such department or vote to the aggregate carrying value of all fixed assets in the municipality. However, where it is Council's policy to raise external loans only for the financing of fixed

assets in specified services, finance charges shall be charged to or apportioned only between the departments or votes relating to such services.

- 18.3 The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, and the apportionment of interest payable to each vote.

#### **19. Indigent Relief**

The estimated costs of indigent relief must be based on the Council approved Indigent Policy and the tariffs approved by Council and charged to the function deriving the revenue.

In the case of Free Basic Electricity (FBE) payable to ESCOM and the estimated costs are budgeted for in the Electricity function.

#### **20. Allocations from Other Organs of State**

Allocations from other organs of state shall be accurately reflected in the annual and adjustments budget, and the estimated expenses against such allocations (other than the equitable share) must be appropriately recorded.

The provisions of Regulation 10.(2) of the Regulations must be complied with in regard to anticipated revenues to be received from national or provincial government, national or public entities, other municipalities and donors.

#### **21. Rates as a Source of Income**

In preparing its revenue budget, the Municipality shall budget for realistic revenues from property rates based on the valuation roll, the approved rate tariff(s) and anticipated collection based on prior years' and considering the property rates policy.

#### **22. Impact of Rates and Tariffs**

When considering the draft annual budget, Council shall consider the impact that the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households in the municipal area.

#### **23. Determination of Growth Factors**

The Chief Financial Officer shall, with the approval of the Mayor and the Municipal Manager, and considering the municipality's current financial performance, determine the recommended aggregate growth factor(s) using the National Treasury Guidelines.

#### **24. Tabling of Annual Budget**

The Annual Budget must, as required by Section 16 of the MFMA, be tabled at a council

meeting at least 90 days before the start of a budget year, and when tabled must, as required by Regulation 14.(1) of the Regulations:

- be in the format in which it will eventually be approved by Council; and
- be credible and realistic such that it is capable of being approved and implemented as tabled.

## **25. Publication of Annual Budget**

In accordance with Section 22 of the MFMA, the Municipal Manager shall ensure that immediately after the annual budget is tabled in Council:

- The budget is made public in accordance with the provisions of the Local Government: Municipal Systems Act;
- The local community is invited to make submissions in regard to the budget;
- The budget is submitted to the National Treasury and Provincial Treasury in printed and electronic formats;
- The budget is submitted to any prescribed organs of state and to other Municipalities affected by it.

In addition, the Municipal Manager must comply with the provisions of Regulation 15.

## **26. Consultations on Tabled Budgets**

The Municipality shall, after the annual budget is tabled, consider the views of the local community, the National and Provincial Treasuries, organs of state and municipalities which made submissions on the budget, as required by Section 23 of the MFMA and shall comply with all other requirements of that section.

The Mayor must for purposes of the abovementioned Section 23 submit to Council the report and comments referred to in Regulation 16.

## **27. Approval of Annual Budget**

Council shall approve the budget in accordance the provisions of Section 24 of the MFMA.

Before approving the budget, Council shall consider the full implications of the budget, as required by Regulation 17 of the Regulations.

## **28. Adjustment Budgets**

The adjustments budget and supporting documentation must be in the format specified in the Regulations and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister.

## **28.1 Funding of adjustments budgets**

- The adjustments budget must be appropriately funded.
- The supporting documentation to accompany an adjustments budget must contain an explanation of how the adjustments budget is funded.

## **28.2 Timeframes for tabling of adjustments budgets**

- The adjustments budget referred to in section 28.(2)(b), (d) and (f) of the MFMA may be tabled in Council at any time after the mid-year budget and performance assessment has been tabled in Council, but not later than 28 February of the current year.
- Only one adjustments budget referred to in section 28.(2)(b), (d) and (f) of the MFMA may be tabled in Council during a financial year, except when:
  - the additional revenues contemplated in section 28.(2)(b) of the MFMA are allocations in a national or provincial adjustments budget, in which case the Mayor must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in section 28.(2)(b) of the MFMA in Council to appropriate these additional revenues. This is intended to ensure that additional revenues allocated are approved for spending as soon as possible so as to minimize the possibility of underspending.
  - an adjustments budget relating to unforeseeable and unavoidable expenditure must be tabled in Council at the first available opportunity after the unforeseeable and unavoidable expenditure was incurred and within 60 days of incurring the expenditure.
- An adjustments budget referred to in section 28.(2)(e) of the MFMA may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by Council by 25 August of the financial year following the financial year to which the roll-overs relate.
- An adjustments budget contemplated in section 28.(2)(g) of the MFMA may only authorise unauthorised expenditure as anticipated by section 32.(2)(a)(i) of the MFMA, and must be –
  - dealt with as part of the adjustments budget contemplated in section 23.(1) of the MFMA, and
  - a special adjustments budget tabled in Council when the 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 Council is requested to authorise in terms of section 32(2)(a)(i) of the MFMA

### **28.3 Submission of tabled adjustments budgets**

- The Municipal Manager must submit the tabled adjustments budget in both printed and electronic form within ten working days after the Mayor has tabled an adjustment budget in Council to:
  - National Treasury;
  - provincial treasury;
  - any other municipality affected by that adjustments budget;
  - any other organ of state on receipt of a request from that organ of state.

### **28.4 Approval of adjustments budget**

- Council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in Regulation 21 before approving the adjustments budget.
- Council may approve an adjustments budget dealing with matters referred to in section 28.(2)(c) of the MFMA only if the expenditure was recommended by the Mayor in accordance with the framework prescribed in the Regulations.
- When approving an adjustments budget, Council must consider and adopt separate resolutions dealing with each of the matters listed in the Regulations: Item 4 of Schedule B.

### **28.5 Publication of approved adjustments budget**

- Within ten working days after the municipal council has approved an adjustments budget, the municipal manager must make public the approved adjustments budget, supporting documentation and the resolutions referred to in Regulation 25.(3).
- When making public an adjustments budget and supporting documentation the municipal manager must make public any other information that the municipal council considers appropriate to facilitate public awareness of the adjustments budget, including -
  - summaries of the adjustments budget and supporting documentation in alternate languages predominant in the community;
  - information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and
  - any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

## **29. SDBIP and Performance Agreements**

The Municipal Manager must by no later than 14 days after the approval of the annual budget submit to the Mayor:

- A draft Service Delivery and Budget Implementation Plan for the year in question;

- Drafts of the annual performance agreements as required by Section 57 of the Municipal Systems Act for the managers referred to in that section.

### **30. Monitoring and Reporting on Budgets**

30.1 Heads of departments must review their expenditure to budget on a monthly basis and provide a report with explanations for variances of more than 10% of the budget or R500, 000 to the Chief Financial Officer within three (3) working days of month-end.

30.2 The Chief Financial Officer shall compile the monthly budget statements as required by Section 71 of the MFMA, which shall:

- Be in the format prescribed by Regulation 28 of the Regulations;
- Be submitted to Mayor, national and provincial treasuries within 10 working days after the month-end;
- Be placed on the Municipality's website;
- Be considered by the Mayor in terms of Section 54.(1)(a) of the MFMA to:
  - check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
  - consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and performance indicators in the plan may only be made with the approval of Council following approval of an adjustments budget;
  - issue any appropriate instructions to the Municipal Manager to ensure –
    - that the budget is implemented in accordance with the service delivery and budget implementation plan; and
    - that spending of funds and revenue collection proceed in accordance with the budget;
  - identify any financial problems facing the municipality, including any emerging or impending financial problems; and
  - in the case of a section 72 report, submit the report to Council by 31 January of each year.
- If the municipality faces any serious financial problems, the Mayor must—
  - promptly respond to and initiate any remedial or corrective steps proposed by the Municipal Manager to deal with such problems, which may include—
    - steps to reduce spending when revenue is anticipated to be less than projected in the municipality's approved budget;
    - the tabling of an adjustments budget; or

- steps in terms of Chapter 13; and
  - alert Council and the MEC for local government in the province to those problems.
- The Mayor must ensure that any revisions of the service delivery and budget implementation plan are made public promptly.
- The Mayor's quarterly report on the implementation of the budget and the financial state of affairs of the Municipality as required by Section 52.(d) of the MFMA must comply with the requirements of Regulation 31 and be published in accordance with Section 75.(1)(k) of the MFMA and Regulation 32.
- Mid-year budget and performance assessments of the Municipality as required by Section 72 of the MFMA must be in the format, be published, and be submitted as required by Regulations 32, 33 and 34.



# 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

# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

## Smart Meter Policy- Debt relief Programme

Policy Number:

Approved by Council:

Resolution No:

Review Date:

# **SMART METER POLICY**

## **Introduction**

### **Background of Victor Khanye Local Municipality**

**Brief History and Current Energy Scenario:** Victor Khanye Local Municipality, named after the renowned South African intellectual and political leader, has a rich historical background. This Victor Khanye Local Municipality, encompassing the city of Victor Khanye Local Municipality and surrounding areas, has been a centre of significant economic and social developments. Historically known for its diamond mining, the area has evolved into a hub with diverse economic activities.

In recent years, the energy scenario in Victor Khanye Local Municipality has been characterized by a mix of traditional and modern sources. The Victor Khanye Local Municipality relies predominantly on the national grid for electricity, supplemented by a growing interest in renewable energy sources. However, challenges such as energy supply instability and increasing demand have highlighted the need for innovative solutions to ensure sustainable energy management.

The Victor Khanye Local Municipality has shown a commitment to sustainable development and innovation, recognizing the importance of transitioning to more efficient and environmentally friendly energy systems. This commitment is in line with South Africa's national strategies for sustainable development, which emphasize reducing carbon emissions and enhancing energy efficiency.

### **Overview of Current Metering Systems**

**Limitations of Existing Metering Systems:** The current metering systems in Victor Khanye Local Municipality primarily consist of traditional electromechanical meters for electricity and mechanical meters for water. These systems have several limitations:

**Inaccuracies:** Traditional meters often suffer from accuracy issues due to aging, wear and tear, and environmental factors. This can lead to incorrect billing and disputes between the Victor Khanye Local Municipality and consumers.

**Manual Reading Processes:** The meters require manual reading, which is labour-intensive, time-consuming, and prone to human error. This process also limits the frequency of readings, often leading to estimated bills rather than actual usage billing.

**Maintenance Issues:** The older metering infrastructure is more prone to breakdowns and requires regular maintenance. This not only increases operational costs but also leads to service interruptions and customer dissatisfaction.

**Limited Data for Analysis:** Traditional meters provide limited data, offering little beyond basic consumption totals. This lack of detailed data hampers effective energy management and planning.

### **Need for Smart Metering Technology**

**Addressing Current Challenges and Contributing to a Sustainable Energy Ecosystem:**

**Improved Efficiency and Accuracy:** Smart meters provide real-time, accurate readings of electricity and water consumption. This precision eliminates the inaccuracies associated with manual readings and aging infrastructure, leading to fair and transparent billing.

**Remote Monitoring and Control:** With smart meters, the Victor Khanye Local Municipality can remotely monitor and manage the energy and water distribution network. This capability enhances service delivery, allows for quicker response to issues, and reduces the need for physical meter readings.

**Enhanced Consumer Engagement:** Smart meters empower consumers with detailed information about their consumption patterns. This access to data can drive more conscious usage, promote energy-saving behaviours, and lead to cost savings.

**Facilitating Renewable Energy Integration:** Smart meters are integral in managing distributed energy resources, such as solar panels. They can help balance the grid by monitoring and managing energy flows, essential for a Victor Khanye Local Municipality investing in renewable sources.

**Data-Driven Decision Making:** The rich data provided by smart meters enables the Victor Khanye Local Municipality to make informed decisions about energy and water management, infrastructure investment, and demand-side management programs.

## **2. Objectives of the Policy**

## Objectives of the Policy

### Billing Accuracy and Efficiency

One of the primary objectives of implementing smart meters in Victor Khanye Local Municipality is to enhance billing accuracy and efficiency. Smart meters provide real-time, accurate data on electricity and water consumption, directly addressing issues of inaccuracy inherent in traditional metering systems. These advanced meters digitally record consumption and transmit data automatically, eliminating the need for manual meter readings and the human errors associated with this process. This automation significantly reduces administrative overheads and operational costs associated with meter reading and data entry. Additionally, the precision of smart meters ensures that consumers are billed strictly based on their actual usage, fostering transparency and trust between the Victor Khanye Local Municipality and its residents. This accuracy not only streamlines the billing process but also minimizes disputes over charges, leading to a more efficient and consumer-friendly billing system.

### Resource Management and Conservation

The installation of smart meters plays a crucial role in enhancing resource management and conservation. These meters provide detailed data on usage patterns, including peak usage times, which can be invaluable for planning and managing the Victor Khanye Local Municipality's energy and water resources more effectively. This information allows the XYZ Municipality to identify areas of high demand, anticipate future resource needs, and optimize the distribution network accordingly. Moreover, the ability to monitor consumption patterns in real-time enables the identification of unusual spikes in usage, which could indicate leaks or inefficiencies in the system. Early detection and resolution of such issues not only conserve resources but also save costs. Furthermore, the data collected by smart meters can inform the development of targeted conservation programs and policies, leading to more sustainable resource management practices.

### Consumer Awareness

Smart meters empower consumers with immediate access to their consumption data, fostering greater awareness and responsibility towards energy and water usage. This real-time information enables residents to understand their consumption patterns, identify areas where they can reduce usage, and make informed decisions to lower their bills. For instance, consumers can track how specific appliances or behaviors impact their consumption and make changes accordingly. This heightened awareness often leads to more energy-efficient and environmentally conscious behaviors. Additionally, the Victor Khanye Local Municipality can use this data to provide personalized feedback and tips to consumers, further encouraging conservation efforts. By promoting a culture of energy and water conservation

through increased awareness, smart meters contribute to a broader communal effort towards sustainability.

### 3. Scope and ...

#### Scope and Applicability

##### Geographical Areas Covered

The scope of the smart meter installation policy encompasses the entirety of Victor Khanye Local Municipality, a region that includes both urban and rural areas. The policy applies to all sectors within the Victor Khanye Local Municipality's boundaries, covering the city of Victor Khanye Local Municipality and its surrounding locales. However, the implementation will be strategically phased, with initial focus areas likely to be those with higher population densities and more significant infrastructure challenges. This approach ensures that the benefits of smart metering are first realized in areas where they can make the most impact. Additionally, special consideration will be given to areas experiencing frequent billing disputes or resource management challenges, as smart meters can provide immediate solutions in these contexts. The policy's geographical inclusivity ensures that all parts of the Victor Khanye Local Municipality, irrespective of their urban or rural status, will eventually benefit from the advanced metering infrastructure.

##### Consumer Types

The smart meter installation policy is inclusive of all consumer types within Victor Khanye Local Municipality. This includes residential customers, who form the majority of the consumer base, as well as commercial and industrial customers. Residential areas will benefit from more accurate billing and enhanced ability to manage home energy and water use. Commercial consumers, including businesses and service providers, will gain from better data to manage their operational costs more effectively. For industrial consumers, the precise and real-time data provided by smart meters will be crucial for large-scale resource management and can contribute significantly to optimizing production processes and reducing costs. By covering all consumer types, the policy ensures a comprehensive upgrade to the Victor Khanye Local Municipality's metering infrastructure, addressing the diverse needs and challenges of each consumer category.

##### Implementation Timeframe

The rollout of the smart meter installation policy is planned as a multi-phase project over several years. The initial phase, potentially covering the first year, will focus on pilot areas to test the system and refine the installation process. This phase will provide valuable insights into the challenges and best practices for a broader rollout. Subsequent phases will see a scaled expansion, with the aim of covering significant portions of the Victor Khanye Local Municipality each year. The entire project might span over five years, with the final phase focusing on remote and less populated

areas. This phased approach allows for the evaluation and adjustment of strategies based on feedback and results from the early stages. It also ensures that the Victor Khanye Local Municipality and its residents have ample time to adapt to the new technology and its implications. The timeline is subject to review and modification based on various factors, including technological advancements, budgetary considerations, and feedback from the initial phases of implementation.

#### 4. Technology .....

##### Technology Specifications

##### Smart Meter Technology

Smart meters represent a significant technological advancement over traditional utility meters. These modern devices use digital technology to measure electricity and water usage. Key features include:

**Remote Reading and Control:** Smart meters transmit usage data wirelessly to the utility provider, eliminating the need for manual meter readings. This capability enables remote monitoring and control of utility supply, allowing for efficient management of resources and quick response to issues.

**Real-Time Data Transmission:** One of the most critical aspects of smart meters is their ability to provide real-time, or near real-time, data on utility consumption. This continuous data stream offers an up-to-date picture of usage patterns, enabling more accurate billing and informed resource management.

**Advanced Data Analytics Capabilities:** Smart meters are equipped with capabilities to analyse and report data. This feature is crucial for identifying trends, predicting future usage, and managing peak load times more effectively.

**Consumer Interaction:** These meters often have user interfaces that allow consumers to view their consumption data directly. This feature can be a significant driver for behavioural change in energy and water use.

**Automatic Outage Detection:** Smart meters can immediately report outages, significantly improving the speed and efficiency of response to such incidents.

##### Standards and Specifications

To ensure the effectiveness and reliability of the smart metering system, the meters must adhere to certain technical standards and specifications, including:

**Accuracy:** They must meet stringent accuracy requirements to ensure fair billing and consumer trust.

**Durability and Reliability:** The meters should be robust, able to withstand local environmental conditions, and have a long operational life with minimal maintenance needs.

**Interoperability:** It is crucial that the smart meters are compatible with different types of home and building management systems, as well as with other smart meters. This interoperability is essential for a cohesive smart grid system.

**Security Standards:** Given the sensitive nature of usage data, the meters must comply with high standards of data security to protect against unauthorized access and ensure consumer privacy.

**Compliance with Regulatory Standards:** The meters should comply with all relevant local and international standards for utility metering and wireless communication.

#### **Integration with Existing Infrastructure**

Integrating smart meters with the existing electrical and water supply systems of Victor Khanye Local Municipality involves several considerations:

**Compatibility with Current Systems:** The smart meters must be compatible with the existing distribution infrastructure. This compatibility is crucial for a seamless transition from old to new systems.

**Upgrading Supporting Infrastructure:** In some cases, parts of the existing infrastructure may need upgrades to support the advanced functionalities of smart meters. This might include enhancing communication networks and data management systems.

**Transition Management:** A clear plan is necessary to manage the transition from traditional to smart meters, ensuring minimal disruption to consumers.

**Training and Capacity Building:** Adequate training must be provided to municipal staff and service providers for the installation, operation, and maintenance of the new system.

**Consumer Interface Systems:** Integration also involves setting up interfaces and platforms for consumers to access their consumption data, which is a key feature of smart meter technology.

## 5. Installation Process

### Installation Process

#### Installation Phases

The installation of smart meters in Victor Khanye Local Municipality is planned to be carried out in distinct phases, allowing for a systematic and efficient rollout:

**Pilot Phase:** The initial phase involves a pilot project in select areas. This phase is crucial for testing the technology, refining installation processes, and training personnel. Feedback from this phase will inform adjustments and improvements for subsequent phases.

**Phase One - High Priority Areas:** Based on the success of the pilot, the first major phase targets areas with high population density and critical infrastructure needs. This includes urban centers and commercial districts where the impact of smart meters can be most immediately felt in terms of energy management and billing accuracy.

**Phase Two - Expansion to Residential and Industrial Areas:** Following successful implementation in high-priority areas, the next phase expands to broader residential areas and industrial zones. This phase will cover a larger portion of the Victor Khanye Local Municipality, aiming to include diverse consumer types.

**Final Phase - Comprehensive Coverage:** The final phase targets remaining areas, including remote and rural locations. Special attention will be given to ensuring that these areas, which might face unique challenges such as accessibility or infrastructure limitations, are adequately covered.

### Criteria for Prioritizing Areas

The criteria for prioritizing areas for smart meter installation include:

**Population Density:** Areas with higher population densities are prioritized to maximize the impact on billing accuracy and resource management for a larger number of consumers.

**Infrastructure Readiness:** Regions where the existing infrastructure can easily accommodate smart meters without significant upgrades are prioritized to expedite the rollout process.

**Historical Data Accuracy Issues:** Areas with a history of billing disputes or meter reading inaccuracies are given priority to quickly rectify these longstanding issues.

**Demand Management Needs:** Areas with high energy demand or water usage are prioritized to better manage peak load times and overall resource allocation.

**Strategic Importance:** Commercial and industrial areas, being high energy and water users, are also prioritized for their strategic importance in the local economy.

#### Procedures for Different Premises

The installation process varies slightly depending on the type of premises:

**Residential Premises:** For homes, the process involves scheduling installation at a convenient time, ensuring minimal disruption to the household. Installers need to educate homeowners about the functionality and benefits of the smart meters.

**Commercial Premises:** In commercial settings, considerations include minimal disruption to business operations. Installations may be scheduled during off-peak hours or closed days.

**Industrial Premises:** Industrial installations require careful planning due to the complexity and scale of the operations. Coordination with facility managers is crucial to avoid interference with production processes.

**Special Considerations:** For premises in remote or difficult-to-access areas, special logistical arrangements are necessary. Similarly, older buildings may require additional preparation work to accommodate the new technology.

Throughout the installation process, clear communication and support are key. Consumers should be informed in advance about the installation schedule, the process involved, and any necessary preparations on their part. Post-installation, consumer education on how to access and interpret the data from their new smart meters is essential for maximizing the benefits of the technology.

## 6. Financial consideration

### Financial Considerations

#### Budget and Funding

The financial planning for the smart meter project in Victor Khanye Local Municipality involves a detailed budget that encompasses all aspects of the installation, including the purchase of meters, infrastructure upgrades, labour costs, training, and consumer education programs. The budget needs to be meticulously planned to cover all phases of the project, from the initial pilot phase to the full-scale rollout.

Funding for this project can be sourced from a combination of channels:

**Government Grants and Subsidies:** As part of national and provincial initiatives to improve energy efficiency and resource management, the Victor Khanye Local Municipality could access grants and subsidies designated for such projects.

**Municipal Budget:** A portion of the Victor Khanye Local Municipality's budget can be allocated for this project, recognizing the long-term benefits of smart metering in terms of efficiency and cost savings.

**Loans and Financing:** Loans from financial institutions or development banks could be sought, especially for parts of the project that promise a direct return on investment, such as reducing non-revenue water or enhancing energy efficiency.

**Public-Private Partnerships (PPPs):** Collaboration with private sector companies specializing in smart metering technology can be a viable option. These partnerships might involve shared financing models where the private entity contributes to the initial investment in return for a share of the efficiency savings or other benefits.

## Cost-Benefit Analysis

A cost-benefit analysis of the smart meter installation project should consider both the immediate and long-term financial impacts:

**Immediate Costs:** These include the purchase of smart meters, installation costs, infrastructure upgrades, and initial consumer education campaigns.

**Long-Term Savings:** Over time, the Victor Khanye Local Municipality can expect significant savings from reduced labor costs for meter readings, decreased billing inaccuracies, and improved resource management leading to cost savings.

**Non-Financial Benefits:** These include enhanced customer satisfaction due to accurate billing, improved resource conservation, and the potential for better load management on the energy grid.

**Return on Investment (ROI):** The ROI should be calculated considering the initial outlay versus the cumulative savings and efficiencies gained over a defined period.

## Consumer Billing

Post-installation of smart meters, the billing process for consumers in Victor Khanye Local Municipality will undergo significant changes:

**Accurate and Timely Billing:** Consumers will be billed based on real-time usage data, ensuring accuracy and transparency in billing.

**Potential for Dynamic Tariff Structures:** With the detailed consumption data available from smart meters, the Victor Khanye Local XYZ Municipality could introduce dynamic tariff structures. For example, time-of-use tariffs, where consumers are charged different rates depending on the time of day, encouraging off-peak usage.

**Consumer Access to Usage Data:** Consumers will have access to their usage data, potentially through online portals or mobile apps, allowing them to monitor and manage their consumption more effectively.

**Billing Adjustments and Notifications:** Smart metering systems enable more sophisticated billing adjustments and notifications, helping consumers to stay informed about their consumption and any changes in tariff structures.

## **7. Legal and Regulatory Framework**

### **Legal and Regulatory Framework**

#### **Regulatory Compliance**

The installation and operation of smart meters in Victor Khanye Local Municipality must comply with a range of legal and regulatory requirements. These include:

**National Energy Regulations:** Compliance with South Africa's national energy policies and regulations is mandatory. This includes adhering to standards set by the National Energy Regulator of South Africa (NERSA) for utility services, ensuring that the smart meters meet specified technical and performance criteria.

**Electrical Safety Standards:** Smart meters must comply with electrical safety standards to ensure they pose no risk to consumers or the energy grid. This involves adhering to standards for installation, maintenance, and operation.

**Telecommunications Regulations:** Since smart meters use wireless communication to transmit data, compliance with telecommunications regulations, overseen by the Independent Communications Authority of South Africa (ICASA), is required. This includes ensuring that the frequency bands used for communication do not interfere with other services and are in line with national spectrum allocation policies.

**Local Bylaws and Ordinances:** The Victor Khanye Local Municipality must ensure that the installation and operation of smart meters are in compliance with local bylaws and ordinances, including those related to building and zoning regulations.

#### **Data Privacy and Security**

Protecting consumer data and ensuring privacy are critical aspects of the smart meter program. Measures include:

**Data Encryption and Security Protocols:** Implement robust encryption and security protocols to protect data transmission and storage. This is essential to prevent unauthorized access and data breaches.

**Compliance with Data Protection Laws:** Adherence to South Africa's Protection of Personal Information Act (POPIA) is crucial. This involves ensuring that consumer data is used and stored in a manner that respects privacy and is in line with legal requirements for personal data protection.

**Data Access and Use Policies:** Establish clear policies on who can access meter data and for what purposes. This includes setting strict limits on data sharing with third parties and using data solely for intended purposes like billing and resource management.

**Regular Security Audits and Updates:** Conduct regular audits of the smart metering system to identify and rectify potential security vulnerabilities. Keeping the system updated with the latest security patches is also crucial.

### **Consumer Rights and Obligations**

The policy must clearly delineate the rights and obligations of consumers in relation to smart meters:

**Right to Data Access:** Consumers have the right to access their consumption data. This empowers them to monitor their usage and gain insights into their consumption patterns.

**Right to Privacy:** Consumers have the right to privacy concerning their usage data. The policy should detail how consumer data will be protected and the circumstances under which it can be shared.

**Obligations in Meter Maintenance:** While the primary responsibility for maintaining the meters lies with the Victor Khanye Local Municipality or service provider, consumers have certain obligations, such as ensuring safe access to meters and not tampering with the equipment.

**Dispute Resolution Mechanisms:** The policy should provide clear mechanisms for consumers to raise concerns or disputes related to smart meter readings or billing.

## **8. Stakeholder engagement .....**

### **Stakeholder Engagement and Communication Strategy**

## Key Stakeholders

Successful implementation of the smart meter project in Victor Khanye Local Municipality hinges on the active involvement and support of various stakeholders, each playing distinct roles:

**Government Bodies:** National and local government entities, including energy and utility regulators, are key stakeholders. They are responsible for setting policy frameworks, ensuring regulatory compliance, and possibly providing funding or subsidies. Their role also includes overseeing the project to ensure it aligns with broader energy and environmental goals.

**Utility Companies:** These are the entities directly responsible for the installation, operation, and maintenance of the smart meters. They play a crucial role in the technical aspects of the project, data management, and customer billing. Utility companies will also be key in addressing operational challenges and ensuring service continuity.

**Consumers:** This group includes residential, commercial, and industrial users of electricity and water. As the end-users of the smart meters, their cooperation is essential. Consumers are also the primary beneficiaries of the improved efficiency and accuracy the smart meters promise, and their feedback is crucial for refining the system.

**Community Leaders and Organizations:** Local community leaders and organizations can act as intermediaries, facilitating communication between the project implementers and the community. They can help in sensitizing the community about the benefits of smart meters and in gathering grassroots feedback.

**Technology Providers:** Companies providing the smart meter technology and related systems are key in ensuring the technical viability of the project. Their role involves not just the supply of technology but also providing technical support and expertise.

## Communication Plan

Effective communication is vital for the success of the smart meter initiative. The communication plan should encompass:

**Initial Awareness Campaign:** Before the rollout, conduct an awareness campaign to introduce the concept of smart meters to the community. This can involve informational brochures, local media advertisements, and digital media campaigns.

**Public Meetings and Workshops:** Organize meetings and workshops in different areas of the XYZ Municipality to explain the benefits of smart meters, the installation process, and how to use and interpret the data provided by the meters.

**Social Media and Online Platforms:** Utilize social media and the Victor Khanye Local Municipality's official website to post regular updates about the project's progress, answer FAQs, and provide a platform for feedback.

**Regular Updates:** Throughout the installation process, keep stakeholders informed about progress, any changes in the schedule, and results from the early phases of the project.

**Targeted Communication for Different Stakeholder Groups:** Tailor the communication approach for different groups - for example, more technical details for businesses and simpler, more practical information for residential consumers.

#### Engagement Methods

Engaging with stakeholders and gathering their feedback is an ongoing process:

**Feedback Channels:** Establish channels like hotlines, email addresses, and social media platforms specifically for stakeholders to ask questions and express concerns.

**Surveys and Questionnaires:** Conduct regular surveys and questionnaires to gather feedback from consumers on their experience with the smart meters.

**Stakeholder Meetings:** Hold periodic meetings with key stakeholders such as community leaders, business associations, and consumer groups to discuss challenges, gather suggestions, and update them on progress.

**Engagement Through Local Events:** Participate in local events and forums to maintain visibility and engagement with the community.

**Monitoring Social Media:** Actively monitor social media channels for public sentiment and concerns, responding appropriately where needed.

## 8. Monitoring and evaluation

### Monitoring and Evaluation

#### Performance Indicators

For the smart meter installation project in Victor Khanye Local Municipality, clearly defined Key Performance Indicators (KPIs) are crucial to objectively measure the project's success and guide decision-making. These KPIs include:

**Installation Rate:** Measures the number of smart meters installed against the planned number within a specific timeframe. This KPI helps in tracking the progress of the physical installation process.

**Operational Efficiency:** Assessed by the reduction in time and costs associated with meter reading and billing processes post-installation. This KPI reflects the operational benefits of smart meters.

**Data Accuracy:** Monitors the precision of the data captured by smart meters. This can be measured by the decrease in billing disputes and corrections.

**Consumer Satisfaction:** Gauged through surveys and feedback mechanisms. High satisfaction levels indicate successful adoption and perceived benefits among consumers.

**System Reliability:** Measured by the frequency and duration of outages or system failures. Reliable performance is crucial for the credibility of the new system.

**Energy and Water Conservation:** Tracks any reductions in overall consumption or improvements in efficiency, indicating the effectiveness of smart meters in promoting conservation.

### Review and Reporting

Regular review and reporting are vital components of the project's monitoring and evaluation framework:

**Regular Progress Reviews:** Scheduled reviews, possibly on a quarterly basis, to assess progress against the KPIs. These reviews should involve all key stakeholders, including installation teams, utility companies, and municipal officials.

**Reporting Mechanism:** Establish a clear reporting mechanism for all parties involved in the project. This could include monthly or quarterly reports detailing the installation progress, operational issues, consumer feedback, and any deviations from the planned schedule or budget.

**Public Reporting:** Periodic public reporting on the project's progress and performance against KPIs. This maintains transparency and keeps the community informed and engaged.

**Data-Driven Adjustments:** Utilize the data collected through monitoring to make informed decisions and adjustments to the project plan as necessary.

### **Feedback and Improvement**

The collection and utilization of feedback are essential for the continuous improvement of the policy and its implementation:

**Consumer Feedback Channels:** Establish and maintain various channels for consumers to provide feedback, such as online portals, customer service hotlines, and email.

**Stakeholder Meetings:** Regular meetings with key stakeholders, including community groups and business associations, to discuss experiences, concerns, and suggestions for improvement.

**Surveys and Questionnaires:** Conduct periodic surveys and questionnaires among consumers and other stakeholders to collect structured feedback on various aspects of the smart meter system.

**Feedback Integration:** Actively integrate the feedback into the ongoing project management process. This involves analyzing the feedback, identifying areas for improvement, and implementing changes where necessary.

**Continuous Learning and Adaptation:** Encourage a culture of continuous learning and adaptation within the project team and among stakeholders. Share lessons learned and best practices both internally and with other municipalities or organizations undertaking similar projects.

## 10. Risk management and contingency

### Risk Management and Contingency Planning

#### Potential Risks

Effective risk management is crucial for the smart meter installation project in Victor Khanye Local Municipality. Key potential risks include:

**Technological Failures:** This includes hardware malfunctions, software glitches, or issues with data transmission. Such failures can disrupt the metering system, leading to inaccurate billing or data loss.

**Resistance from Consumers:** Consumer resistance can arise due to concerns over privacy, data security, or changes in billing. Misunderstandings or misinformation about smart meters can exacerbate this issue.

**Funding Shortfalls:** Insufficient funding can delay or halt the project. This risk is particularly pertinent if the project depends heavily on external funding sources like government grants or loans.

**Regulatory Changes:** Sudden changes in national or local regulations regarding utility metering or data privacy can impact the project's viability.

**External Security Threats:** Risks such as cyber attacks or physical tampering with the meters, which can compromise data integrity and system functionality.

#### Mitigation Strategies

To mitigate these risks, the following strategies should be employed:

**Robust Testing and Quality Assurance:** Implement thorough testing of the smart meters and supporting infrastructure before and during deployment to minimize the risk of technological failures.

**Consumer Education and Engagement:** Develop a comprehensive communication strategy to educate consumers about the benefits of smart meters, how they work, and the measures taken to protect their privacy and data.

**Diversified Funding Strategy:** Secure funding from multiple sources to reduce dependency on a single stream and create a financial buffer. This includes exploring options like public-private partnerships and phased implementation to manage costs.

**Regular Compliance Reviews:** Stay abreast of regulatory changes and ensure ongoing compliance. This includes maintaining flexibility in the project plan to accommodate potential regulatory shifts.

**Enhanced Security Measures:** Implement robust cybersecurity measures for the metering system and conduct regular security audits. Physical security features for the meters should also be considered.

### **Crisis Management**

In case of unexpected challenges or emergencies, a well-defined contingency plan is necessary:

**Rapid Response Team:** Establish a dedicated team to respond quickly to crises, be they technological failures, security breaches, or other emergencies.

**Emergency Communication Protocols:** Develop clear protocols for internal and external communication during a crisis. This includes timely and transparent communication with consumers and stakeholders.

**Backup Systems:** Ensure backup systems are in place, particularly for data storage and recovery, to minimize disruptions in case of system failures.

**Crisis Simulation Exercises:** Regularly conduct crisis simulation exercises to test the effectiveness of response plans and refine them based on learnings.

**Stakeholder Collaboration:** Collaborate with stakeholders, including technology providers, emergency services, and local authorities, to ensure a coordinated response to emergencies.

## 10. Conclusion

### Conclusion

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#### Summary of Goals and Outcomes

The smart meter installation policy in Victor Khanye Local Municipality is a forward-thinking initiative designed to revolutionize how the Victor Khanye Local Municipality manages and bills for electricity and water usage. The primary goals of this policy are manifold:

**Enhanced Billing Accuracy and Efficiency:** By implementing smart meters, the Victor Khanye Local Municipality aims to significantly reduce billing inaccuracies and administrative costs associated with manual meter readings. This leads to fairer and more transparent billing for consumers.

**Improved Resource Management and Conservation:** Smart meters provide detailed data on energy and water usage, facilitating better resource management. This data helps in identifying trends, managing demand, and implementing conservation strategies more effectively.

**Increased Consumer Awareness and Engagement:** The real-time usage data available to consumers through smart meters empowers them to make informed decisions about their consumption, leading to potential cost savings and more sustainable usage behaviors.

**Technological Advancement and Innovation:** The adoption of smart meters is a step towards modernizing the Victor Khanye Local Municipality's infrastructure, aligning it with global trends in technology and sustainability.

**Long-Term Sustainability and Environmental Benefits:** By promoting efficient use of resources, the policy contributes to the broader goal of environmental sustainability, aligning with national and global efforts to reduce carbon emissions and conserve natural resources.

The expected outcomes include a more efficient, transparent, and user-friendly metering and billing system, reduced operational costs for the Victor Khanye Local Municipality, and a more engaged and environmentally conscious community.

#### Call to Action

For the successful implementation of this policy, active participation and support from all stakeholders are essential. This call to action is directed at:

**Government and Regulatory Bodies:** To continue providing the necessary support and oversight, ensuring the project aligns with national energy and environmental policies.

**Utility Companies and Technology Providers:** To uphold their commitment to delivering high-quality services and technology solutions, ensuring the system's reliability and effectiveness.

**Consumers and the General Public:** To engage with the initiative positively, understand the benefits of smart meters, and adapt to the new system for a more sustainable future.

**Community Leaders and Organizations:** To facilitate communication and understanding between the project implementers and the community, ensuring that concerns are addressed and the benefits are clearly communicated.

**Financial Partners and Stakeholders:** To continue their support in terms of funding and resources, ensuring the project's financial viability.

In conclusion, the smart meter installation policy presents an opportunity for Victor Khanye Local Municipality to lead in the adoption of innovative technologies for utility management. It is a significant step towards a more efficient, sustainable, and consumer-friendly future. The successful realization of this policy requires a collaborative effort, embracing change, and working together towards a common goal of sustainable development and improved quality of life for all residents.

**VICTOR KHANYE LOCAL MUNICIPALITY**



**TARIFF STRUCTURE**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE D**

## **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

2025/26

**CEMETERY**

**Botleng ext 4  
(Ziphumulele)**

**local residents (BOTLENG)  
Cemetery**

8 foot all types of coffins Adult 2 538.00  
**Pensiors over 60 years and above 1 015.00**

**INDIGENTS**

Indigent Adult 254.00  
Child 203.00  
Pauper 203.00

**Delmas Town & Sundra Cemeteries Local Residents**

All type of coffins Adult Single interment including closure 5 075.00  
closure after hrs,weekends & holidays 7 105.00  
Re-opening & Closure normal hrs 2 030.00

**ITEM****2025/26****2 LIBRARY****2.1 MEMBERSHIP FEES**

2.1.1	Residents of Delmas municipal area	50.00
2.1.2	Non-residents of Delmas municipal area	50.00
2.1.3	Re-issue of membership cards (per card)	30.00
2.1.4	Pensioners of Delmas municipal area	0.00

**2.2 PHOTOCOPIES, FAXES AND INTERNET FEES**

2.2.1	Photo copies: A4 – General public	2.00
2.2.2	Photo copies: A4 – School reference works (Students)	1.00
2.2.3	Photo copies: A4 – Persons registered on the indigent register (proof)	0.00
2.2.4	Photo copies: A3 - General public	2.00
2.2.5	Faxes: Per A4 page (Sending)	0.00
2.2.6	Faxes: Per A4 page (Receive)	0.00
2.2.7	Internet: First half hour or part thereof	0.00
2.2.8	Internet: Per hour (or part thereof) after the first half hour	0.00
2.2.9	E-mail usage: Per each 15 min or part thereof	0.00
2.2.10	E-mail usage: Printing of e-mails (per A4 page)	0.00
2.2.11	Use of a computer: Per hour or part thereof	0.00
2.2.12	Use of a printer: Per A4 page (Black)	2.00
2.2.13	Use of a printer: Per A4 page (Colour)	2.00
2.2.14	Use of a printer: Per A4 page (Black) Persons registered on the indigent register (proof)	0.00
2.2.15	Use of a printer: Per A4 page (Colour) Persons registered on the indigent register (proof)	0.00

**2.3 PENALTY FEES FOR LATE RETURNING OF ITEM**

2.3.1	Reference literature (per item per week or part thereof)	10.00
2.3.2	Other literature (per item per week or part thereof)	10.00

**2.4 INFORMATION BORCHURE**

		0.00
2.4.1	Brochure per copy	0.00

**ITEM**

2025/2026

**3 FIRE BRIGADE SERVICES**

**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	3 400.00
	ii. Thereafter per hour or part thereof	2 200.00
	iii. Per km further than radius of 15km	40.00
3.1.2	SECOND AND ENSUING VEHICLES	
	i. Per vehicle per hour or part thereof	700.00
	ii. Per km further than radius of 15km	40.00
3.1.3	SPECIAL SERVICES INCLUDING MOTOR VEHICLE ACCIDENTS	
	i. Within radius of 15km per hour	1 450.00
	ii. Per km further than 15km radius	40.00
3.1.4	ASSISTANCE WITH PREPARATION OF FIRE BELTS	
	i. Not a registered member of the Fire Protection Association	1 850.00
	ii. Registered and paid-up member of the Fire Protection Association	No Charge
3.1.5	CONSUMABLE ITEMS	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	5 500.00
	ii. Thereafter per hour or part thereof	2 500.00
	iii. Per km further than radius of 15km	40.00
3.2.2	SECOND AND ENSUING VEHICLES	
	i. Per vehicle per hour or part thereof	1 200.00
	ii. Per km further than radius of 15km	40.00
3.2.3	SPECIAL SERVICES INCLUDING MOTOR VEHICLE ACCIDENTS	
	i. Within radius of 15km per hour	1 900.00
	ii. Per km further than 15km radius	40.00
3.1.4	CONSUMABLE ITEMS	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)**

	<u>(Annual payment)</u>	
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	
3.3.2	Spraying room permit	
3.3.3	Storage of flammable liquids (Consumer / All non-bulk)	
3.3.4	Storage and/or use of liquid petroleum gas (Non-bulk (below 500Kg))	
3.3.5	Transport permit- flammable liquids Product carrying vehicle/trailers	
3.3.6	Truck tractors used for Dangerous Substance Transportation	
3.3.7	Temporary Registration - Storage Flammable/Dangerous Goods	
3.3.8	Bulk Applications for Dangerous goods transport permit (Above 500 vehicle	

**3.4 FEES FOR GENERAL ADMINISTRATION AND FIRE SAFETY SERVICES**

	<b>(Fire Brigade Services By-Laws (Gov Gaz 3145, 27 March 2020)</b>	
3.4.1	Application for furnishing copies of information related to incidents (Sect4(2))	200
3.4.2	Certificate of Fitness for building - Gatherings/Events (Sect. 20(1))	200
3.4.3	Application fee for approval for public Fireworks Display (Sect 23(11))	400
3.4.4	Re-inspection of premises after non-compliance notice issued	300
		400

**5 ELECTRICITY**

**5.1 DOMESTIC CONSUMERS**

5.1.1 This tariff shall apply to the following:

- 6.1.1.1 Private dwellings;
- 6.1.1.2 Boarding-houses or hotels, excluding licenced in terms of the liquor Act;
- 6.1.1.3 Flats;
- 6.1.1.4 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;

- 6.1.1.5 Homes run by charitable institutions;
- 6.1.1.6 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;

- 6.1.1.7 Clubs, excluding clubs licenced in terms of the liquor Act;
- 6.1.1.8 Churches and church halls used exclusively for public worship;
- 6.1.1.9 Pumping installations where the water pumped is exclusively used for domestic purposes on premises received supply in terms of this item;
- 6.1.1.10 A building or separate part of a building exclusively used for residential purposes; and
- 6.1.1.11 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)	As approved by NERSA
Block 2	51 – 350kWh	(c/kWh)	As approved by NERSA
Block 3	351 – 600kWh	(c/kWh)	As approved by NERSA
Block 4	>600kWh	(c/kWh)	As approved by NERSA

**5.1.2.2 Domestic Conventional**

Basic charge (R/month)			As approved by NERSA
Block 1	0 – 60kWh	(c/kWh)	As approved by NERSA
Block 2	61 – 360kWh	(c/kWh)	As approved by NERSA
Block 3	361 – 600kWh	(c/kWh)	As approved by NERSA
Block 4	>600kWh	(c/kWh)	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.

5.1.6

**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 licenced in terms of the liquor Act;
- 5.2.1.5 Bars;
- 5.2.1.6 Cafes, tearooms and restaurants;
- 5.2.1.7 Combined shops and tearooms;
- 5.2.1.8 Public halls;
- 5.2.1.9 Clubs licenced 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		FIXED CHARGE	UNIT CHARGE
(a)	Basic charge	R/month	As approved by NERSA	As approved by NERSA
(f)	Energy charge	Unit charge c/kWh	As approved by NERSA	As approved by NERSA

**5.2.2.2 Conventional Low**

GROUP	TYPE OF SUPPLY		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

**5.2.2.3 Industrial medium**

GROUP	TYPE OF SUPPLY		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

**5.2.2.4 Non Standard Tariffs**

GROUP	TYPE OF SUPPLY		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

**5.2.2.5 Departmental usage**

GROUP	TYPE	OF	FIXED CHARGE	FIXED CHARGE	UNIT CHARGE
(a)	Energy charge		Unit charge c/kWh	As approved by NERSA	As approved by NERSA

A consumer shall apply, in writing of 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 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 specific tariff, except on payment of a charge to cover the costs 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	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 Three phase 0 – 199 KVA
5.3.3.2	High voltage:	200 – 499 KVA > 500 KVA
5.3.3.3	House Hold Consumer Conventional Meter - Delmas House Hold Consumer Pre-paid Meter - Delmas House Hold Consumer Boteng/Gloff/Sundra	

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:

Category	Sub-category	Proposed tariff
5.4.1 Residential consumers	5.4.1.1 First Tamper	8 256
	5.4.1.2 Second Tamper	12 384
	5.4.1.3 Third Tamper	20 840
5.4.2 Business consumers	5.4.2.1 First Tamper	22 704
	5.4.2.2 Second Tamper	26 832
	5.4.2.3 Third Tamper	47 472

In respect of tampered meters, additional costs will be charged/levied to compensate for loss of revenue in 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	160 units per month
Other residential household - average of	650 units per month
Businesses - average of	1,200 units per month

### 5.5 OTHER CHARGES

Call out charges after hours (if fault within consumer boundary) per call  
Final Notice Cut offs  
Reconnection Fee  
Installation of pre-paid meter  
Testing of electricity meters – single phase  
- three phase

**ITEM**

**NEW STRUCTURE FOR 2023/2024 FINANCIAL YEAR IN LINE WITH MUNICIPAL BY-LAWS**

<b>6 ITEM</b>	<b>UNIT</b>	<b>2025/2026</b>
<b>6.1 Non-locality bound signs:</b>		
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 sports	Per application 1 011.36
6.1.5	Advertising signs on boundary walls and fences:	Per m2/ face 123.84
	<b>Non-locality bound</b>	
6.1.6	Construction site boundary signs:	
	a) Application fee	
	b) Approval fee	
		Per Application 516.00
		Per m2 / face 82.56
6.2.0	<b>Locality-bound signs:</b>	
6.2.1	7.Roof signs	Per Application 583.08
6.2.2	8.Flat signs: Locality bound	Per Application 583.08
6.2.3	9.Service facility signs	Per Application 583.08
6.2.4	10.On-premises business signs	Per Application 583.08
6.2.5	11.Advertising on boundary walls and fences: Local	Per Application #VALUE!
6.2.6	12.Project and development signs	Per Application
6.2.7		Per Application 583.08
6.3.0	<b>Temporary/Small signs</b>	
7.3.1	13.Advertisement for the sale of goods and livestock	Per Sign 169.25
7.3.2	14.Banners	-
7.3.4	15.Posters: Category One: Events	Per Banner 113.52
7.3.5	16.Posters: Category Three: Newspaper	Per Event/50poster 113.52
7.3.6	17.Posters: Category Four: Community	Per Frame/Annum 51.60
7.3.7		Per 50 poster #VALUE!
7.4.0	<b>Annual Licensing Fee</b>	
7.4.1	18.Estate agent signs	Per Agency/Annum 583.08
7.4.2	19.Flags	Per Business/ Annum 583.08
		-
7.5.0	<b>Contracts with LM:</b>	
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 #VALUE!
7.5.6	25.Surburb name signs	
7.6.0	<b>Exempted from Application Fee</b>	
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 154.80
7.6.12	Monthly fees for leasing of municipal property for outdoor advertising	Per face

## ITEM

### 7 SEWER AND PLUMBING ORDINANCE

#### 7 PLUMBING

- 7.1.1 Sealing of openings per connection
- 7.1.2 Opening of drains:
  - 7.1.2.1 Week days in normal working hours:
    - i. For the first hour or part thereof after the work has
    - ii. For every hour or part thereof thereafter
  - 7.1.2.2 0  
1818.16301
    - ii. For every hour or part thereof thereafter
  - 7.1.2.3 SUNDAYS AND PUBLIC HOLIDAYS:
    - i. For the first hour or part thereof after the work has begun
    - ii. For every hour or part thereof thereafter

#### 7.2 Fees per connection

- 7.2.1 Residential: Delmas/Botleng (per connection)
- 7.2.2 Other Institutions, businesses and industrial (per connection)

#### 7.3 Basic charge

- 7.3.1 Residential
  - 7.3.1.1 Stand < 400m<sup>2</sup>
  - 7.3.1.2 Stand > 400m<sup>2</sup> but < 800m<sup>2</sup>
  - 7.3.1.3 Stand > 801m<sup>2</sup> but < 1600m<sup>2</sup>
  - 7.3.1.4 Stand > 1601m<sup>2</sup>
- 7.3.2 Business
  - 7.3.2.1 Stand 1m<sup>2</sup> < 800m<sup>2</sup>
  - 7.3.2.2 Stand 801m<sup>2</sup> – 1600m<sup>2</sup>
  - 7.3.2.3 Stand > 1601m<sup>2</sup>
- 7.3.3 Other
  - 7.3.3.1 McCain outflow - per 10 kiloliter water used

#### 7.4 SECOND DWELLINGS

On residential properties where a second dwelling is erected, an additional levy equal to the tariff in respect of the first dwelling will be levied.

On a business zoned property where more than one business are operating from, an additional applicable business sewerage tariff, will be levied for each additional business operated from

#### 7.5 SEWERAGE VACUUM TANKER SERVICES

- 7.5.1 Basic charges
  - 7.5.1.1 Delmas
    - i. For the first 10kl or part thereof per removal
    - ii. Thereafter per kl or part thereof
  - 7.5.1.2 Leeuport AH south of road no 5
    - i. For the first 10kl or part thereof per removal
    - ii. Thereafter per kl or part thereof
  - 7.5.1.3 Leeuport AH north of road no 5
    - i. For the first 10kl or part thereof per removal
    - ii. Thereafter per kl or part thereof
  - 7.5.1.4 Eloff Township and Eloff AH north of railway line
    - i. For the first 10kl or part thereof per removal
    - ii. Thereafter per kl or part thereof
  - 7.5.1.6 Eloff Township and Eloff AH south of railway line
    - i. For the first 10kl or part thereof per removal

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- ii. Thereafter per kl or part thereof
- 7.5.1.6 Sundale AH
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.7 Springs AH
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.8 Sundra AH
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.9 Rietkol AH
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.10 Rietkol AH north of N12
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.11 Botleng south of aerodrome (erf 1202)
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.12 Botleng north of aerodrome (erf 1202)
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.13 Schoeman Farming
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.14 Daybreak Farms
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.15 Khanym (Wekedacht)
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.16 TPA weigh bridge
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.17 Sundra High School
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.18 Sundra Primary School and Kosmos Old Age Centre
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.19 Eloff Primary School
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.20 Rietkol Primary School
  - i. For the first 10kl or part thereof per removal
- ii. Thereafter per kl or part thereof
- 7.5.1.21 Discharging Sewerage waste at the Sewer Plant  
Thereafter per kl or part thereof
- 7.5.1.22 Discharging Sewerage waste at the Sewer Plant 5kl to 10kl
- 7.5.1.23 Discharging Sewerage waste at the Sewer Plant (less than 5kl)
- 7.5.1.24 Discharging Sewerage waste at the Sewer Plant Industrial

ITEM		TARIFF 2028/2029
<b>9 SANITARY AND REFUSE REMOVAL</b>		
<b>9.1 REFUSE REMOVAL</b>		
9.1.1	Removals (once a week)	
9.1.1.1	per Households, per churches, per unit in the flat	371.52
9.1.1.2	Business once a week	639.84
9.1.1.3	Dumping site disposal by agreement per household	
9.1.1.4	Business removal more than once a week	1 578.96
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)	6 501.60
9.1.2.3	Mass container: Three times per week (per month)	8 668.80
9.1.2.4	Mass container - Large: Once per week (per month)	6 501.60
9.1.2.5	Mass container - Large: Twice per week (per month)	8 668.80
9.1.2.6	Mass container - Large: Three times per week (per month)	10 848.32
9.1.2.7	Business: 80 liter per day twice per week	897.84
9.1.2.8	Once off: Drop and remove	1 508.72
9.2	CLEANING OF STANDS ON REQUEST	
9.2.1	Fine! 1500m <sup>2</sup> or part thereof	2 826.50
9.2.2	There-after for each 100m <sup>2</sup> or part thereof	2 827.68
9.2.3	Garden disposal per m <sup>2</sup> or part thereof	402.48
9.2.4	Building rubble per m <sup>3</sup> or part thereof	815.28
9.2.5	Schools / Educational Institutions	2 420.04
9.2.6		2 882.47
9.3	ANNIHILATION	
9.3.1	Per animal	795.50
9.4	REMOVAL AND DISPOSAL OF CARCASSES	
9.4.1	Carcasses of which the mass per carcass is 800kg and less	
i.	Cat and dog per carcass or part thereof	397.03
	Cat and dog per carcass or part thereof - per km	32.27
ii.	Sheep and pig carcass or part thereof	878.26
	Sheep and pig carcass or part thereof - per km	30.78
iii.	Mule, donkey, horse and cattle per carcass or part thereof	2 110.18
	Mule, donkey, horse and cattle per carcass or part thereof - per km	30.31
9.4.2	Carcasses of which the mass per carcass exceeds 800kg	
i.	Pig per carcass or part thereof	2 282.67
	Pig per carcass or part thereof - per km	
ii.	Mule, donkey, horse and cattle per carcass or part thereof	2 282.67
	Mule, donkey, horse and cattle per carcass or part thereof - per km	54.88
9.5	DRIED SLUDGE	
9.5.1	Selling of dried sludge (own transport) per 6m <sup>3</sup>	205.68
9.6	WASTE MANAGEMENT BY-LAWS TARIFFS FOR FINES	
9.6.1	As per the promulgated by-law tariff	
9.7	TARIFF FOR BUSINESS TO DUMP AT THE LANDFILL SITE	
9.7.1	Vehicles (0-1000)	
	Vehicles (1001-5000)	
	Vehicles (5001 >)	
9.8	WASTE MANAGEMENT PERMITS/AUTHORISATION	
9.8.1	General Waste Transportation Permit	
9.8.2	General Waste Handling Permit	
9.8.3	Disposal of Condemned Food Stuff	
	(0-1000kg)	
	(1001-5000kg)	
	(5001 > kg)	

**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>
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**

	<u>TARIFF CLASSIFICATION</u>							
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 m <sup>2</sup> 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>
		<u>2025/2026</u>	<u>2025/2026</u>	<u>2025/2026</u>	<u>2025/2026</u>	<u>2025/2026</u>	<u>2025/2026</u>
8.1.1	Deposit	1 050.00	1 470.00	2 300.00	1 050.00	1 050.00	1 050.00

**RENTAL**

	<u>TARIFF CLASSIFICATION</u>							
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 m <sup>2</sup> per day (minimum rental of R3000.00 per day)						

<u>ITEM</u>	<u>TARIFF</u> <u>2025/2026</u>
<b>10 FURNISHING OF INFORMATION AND ISSUING OF CERTIFICATES</b>	
10.1	Valuation certificate 350.88
10.2	Clearance certificate 144.48
10.3	Furnishing of clearance certificate information 1 032.00
10.4	Copies of voter's roll per ward 1 434.48
10.5	Copies of Council meeting minutes per resolution or part thereof 144.48
10.6	Inspection of an approved building plan excluding plan in respect of residential properties 330.24
10.7	Furnishing of information – computer printout per page or part thereof 51.60
10.8	Photo copies size A4 (per page) 2.06
10.9	Photo copies size A3 (per page) 10.32
10.1	Fax size A4 (per page) 51.60
10.11	Copy paper size A0 1189 x 841 (per page) 113.52
10.12	Copy paper size A1 841 x 595 (per page) 113.52
10.13	Copy paper size A2 and smaller 595 x 421 (per page) 92.88
10.14	Durester film size A0 1189 x 841 (per page) 846.24
10.15	Durester film size A1 841 x 595 (per page) 495.36
10.16	Durester film size A2 and smaller 595 x 421 (per page) 392.16
10.17	Translucent film size A0 (0.05mm) 1189 x 841 (per page) 784.32
10.18	Translucent film size A1 (0.05mm) 841 x 595 (per page) 516.00
10.19	Translucent film size A2 and smaller (0.05mm) 595 x 421 (per page) 371.52
10.2	Zoning certificate 350.88
10.21	Copy of valuation roll 4 582.08
10.22	Deeds office enquiry 268.32
10.23	Tender documents: Non-refundable deposit 970.08
10.24	Tender documents : seven days quote non -refundable 196.08
10.25	Furnishing of information/data in any other format as that contained in items
10.26	Parking 10.32

ITEM		TARIFF
		2025/2026
<b>11 WATER</b>		
<b>11.1 BASIC CHARGES</b>		
<b>11.1.1 Residential</b>		
11.1.1.1	Vacant stands	452.85
11.1.1.2	Flats	139.62
11.1.1.3	Stands	315.81
11.1.1.4	Day Break Farms	1 029.21

**11.2 CONSUMPTION**

<b>11.2.1 Residential</b>		
11.2.1.1	Delmas: tariff	(0 – 6kl)
11.2.1.2	Delmas: tariff	(7 – 12kl)
11.2.1.3	Delmas: tariff	(13 – 26kl)
11.2.1.4	Delmas: tariff	(> 27kl)
11.2.1.5	Botlenq: tariff	(0 – 6kl)
11.2.1.6	Botlenq: tariff	(7 – 12kl)
11.2.1.7	Botlenq: tariff	(13 – 26kl)
11.2.1.8	Botlenq: tariff	(> 27kl)
11.2.1.9	Sundra/Eloff: tariff	(0 – 6kl)
11.2.1.10	Sundra/Eloff: tariff	(7 – 12kl)
11.2.1.11	Sundra/Eloff: tariff	(13 – 26kl)
11.2.1.12	Sundra/Eloff: tariff	(> 27kl)
11.2.1.10	Indigents	(6kl free)

New Proposed structure	
Residential /Flats	
	Approved tariffs - 2024/25
Basic Charge	315.81
0-6KL _non-Indigents	16.64
(7 – 12kl)	36.62
(13 - 26kl)	46.60
(> 27kl)	49.78

**Access to Network**

<b>11.2.2</b>	<b>Other institutions/businesses and industrial</b>	<b>Proposed 2025/26</b>
11.2.2.1	Business:	47.27
11.2.2.2	Business:	47.27
11.2.2.3	McCain (Water bought direct from	37.15
11.2.2.4	McCain (Water pump from own	28.35
11.2.2.5	Daybreak farms	47.27
11.2.2.6	Car wash businesses	47.27
11.2.2.7	Water tank Delivery Basic Transport	593.40
	per KL	47.27
11.2.2.8	Schools, churches and Up to 200kl	0.00

**11.3 CONNECTION FEES**

<b>11.3.1</b>	<b>Connection or termination on request of consumer</b>	
11.3.1.1	Water connection	840.00
11.3.1.2	Water termination	840.00
11.3.1.3	Electricity connection	840.00
11.3.1.4	Electricity termination	840.00
<b>11.3.2</b>	<b>Re-connection due to non-payment</b>	
11.3.2.1	Late payment (per	1 300.32
11.3.2.2	Re-connection (per	1 300.32
11.3.2.3	Re-connection after hours (per	4 334.40

**(12) FINE SCHEDULE**

**OFFENCES AND PENALTIES IN RELATION TO NATIONAL BUILDING REGULATIONS ACT 103 OF 1977  
AND SANS 10400 REGULATIONS MADE THEREUNDER UNDER SECTION 34.1 BUILDING CONTROL  
BY-LAW**

Table 1

	Regulation	Fine
Building without approved plan (including regulation A25 (10))	4(1) & (4)	R2500
Continuing in contravention of a notice prohibiting the erection of a building	10(1) & (2)	R1500
Failure to demolish, alter, secure a building or land F3(2)	12(1) to (6)	R5000
Failure to submit engineers completion certificate A2(1)(f)	14(4)(a)	R1000
Submission of false certificates	14(3)	R2000
Occupation or use of a building without certification of occupancy	14(4)(a)	R5000
Prohibition on the use of certain methods or materials	19(1) & (2)	R2000

Table 2

Failure to submit engineers drawings and engineers completion certificates	A2(1)(F)	R1000
Failure to provide a certified copy of any approved plans and particulars onsite	A2(2)	R2000
False or misleading information	A2(3)(f)	R1000
Boundary beacons not pointed out	A11(1) &(2)	R1000
Installations, maintenance and operations	A15(1) to (5)	R1500
Illegal certificate of identity	A17(10) to (4)	R1000
Control of plumbing work	A18(1) to (5)	R2500
Failure to notify for commencing demolition	A22(1) to (4)	R1500
Use of a building for the purpose other than that indicated on the approved plan	A25(1) & (2)	R2000
Deviating from approved plan (foundations wall, freestanding and retaining	A25(5)	R2000
Failure to comply with the provisions of a notice in terms of regulation A25	A25(11)	R5000
Failure to comply with the provisions concerning demolitions condition	E1(3) & (4)	R1500
Protection of the public site operations	F1(1) to (6)	R5000
Failure to secure unstable soil or land	F3(1) to (3)	R3000
Control of dust and noise	F6	R2000
Cutting into, laying open and demolishing certain building work	F7(5)	R1500
Failure to safeguard any persons from falling from such balcony bridge, flat roof or similar place	D1	R5000
Failure to safeguard a swimming pool	D4	R2000

Table 3

Accumulation of waste material on site	F8(1) &(2)	R5000
--	------------	-------

Failure to construct and locate the builders shed to the satisfaction of the local authority	F10(2) & (7)	R1500
Failure to move, reconstruct, repair or improve the condition of the builders shed and unpermitted use thereof within a specified time in such notice	F10(4) & (7)	R1500
Failure to remove builders shed from a site on completion or cessation of work or where the shed is no longer necessary for the purpose for which it was erected	F10(5) & (7)	R2500
Accommodating security personnel in a builders shed, not complying with council's requirements and conditions for the safeguarding of public health and the health of such personnel or in such a way that a nuisance or inconvenience is caused to persons in the vicinity of the premises	F10(6) & (7)	R2000
Failure to provide adequate approved sanitary facilities for staff in an approved location before erection or demolition of the premises	F11(1) 2(2)	R2000
Failure, while excavation, to take adequate precautionary measures to ensure the safety and stability of a property or services is maintained	G1(1)(3) & (5)	R5000

Table 4

Laying of a sewer installation not within the premises	P1(1) to (5)	R1500
Prohibition on discharge storm water any drainage installation on any site	P3(2)(3) & (5)	R5000
Prohibition on discharge of any water from a swimming pool, fountains or reservoirs onto any public space or neighbouring property	P3(4) & (5)	R5000
Unauthorised drainage work	P6 (1) & (2)	R2000
Putting a sewer installation into use without an inspection	P7 (1) to (2)	R1500
Failure to provide storm water disposal requirements	R1 & R2 & A25(9) & (11)	R2500
Failure to provide sufficient protection of occupants or users in any building	T1(1) (F1)	R5000
Failure to provide sufficient fire extinguishers or fails to ensure that such extinguishers are installed, maintained and services	T2(1)	R5000

**OFFENCES AND PENALTIES IN RELATION TO VICTOR KHANYE BUILDING CONTROL BBY-LAW**

Table 5

	Section	Fine
Problem Buildings	20	R5000
Maintenance	23.5	R1000
Structural integrity of building	20.3.1	R2500
Disposal of building rubble	21.5	R2000
Illegal temporary structure	19	R2000
Inciting/preventing Building control law enforcement officer from entering premises or doing their job	36	R2500
Illegal carports and awnings	15	R2500
Control of storm water relay	21.6	R3000

**ITEM**

**TARIFF**  
**2025/2026**

**13 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 <sup>2</sup> or part thereof	20.00
15.3	First floor balconies, per m <sup>2</sup> or part thereof	35.00
15.4	Second and each higher floor balconies, per m <sup>2</sup> or part thereof	25.00
15.5	Bay windows, per m <sup>2</sup> or part thereof of plan area of projection	75.00
15.6	Pavement lights, per m <sup>2</sup> or part thereof	45.00
15.7	Showcases, per m <sup>2</sup> or part thereof	45.00
15.8	All other projections below, at or above pavement level including foundation	45.00

ITEM

TARIFF  
2025/2026

14 TREES: REMOVAL AND/OR KILLING OF

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

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

<u>ITEM</u>	<u>TARIFF</u> <u>2025/2026</u>
<b>15 <u>ISSUING OF BUSINESS LISENCE</u></b>	
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 t 0	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	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>2024/2025</u>	<u>TARIFF</u> <u>2025/2026</u>
<b>16 FLAT RATE</b>		
18.1 Flat rate	581.27	599.87
18.2 Indigent: Flat rate – Indigent (Gross income less than two(2) old pensioners		

**18 FEES FOR LAND USE APPLICATIONS SUBMITTED IN TERMS OF THE MUNICIPAL SPATIAL**

APPLICATION	TARIFF 2024/2025	TARIFF 2025/2026
<b>CATEGORY 1: LAND DEVELOPMENT APPLICATIONS</b>		
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	
<b>CATEGORY 2 LAND USE APPLICATIONS</b>		
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	7 574.86
b. More than 5 portions	940.00	970.08
5. Amendments to original application prior to adjudication	50% of original application fee	
<b>MISCELLANEOUS FEES</b>		
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 erf / 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)	5 860.00	5 841.12
2. Any other application not provided for elsewhere in this schedule of fees	5 860.00	5 841.12
<b>COPIES</b>		
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
<b>FINES AND PENALTIES</b>		
1. Contravention of Dalmas 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	

19

ITEM

TARIFF

2024/2025

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

605.00

2(two) Bedroom

825.00

907.50

	<u>ITEM</u>	<u>TARIFF</u>	
		<u>2024/2025</u>	<u>2025/2026</u>
<b>20</b>	<b>Air Quality Permits and authorizations</b>		
	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

MP

Nkangala

Victor Khanye

MP311

## Tariff Assessments for the MTREF Period

Assessment Status	Financial Year	Period	Item	Water	Waste Water	Electricity	Solid Waste	Total Surplus/Deficit
Cost Reflective	2025/2026	Year 1	Revenue Required by NT Tariff Tool	68 080 616	4 500 904	236 474 338	19 174 290	280 879 760
			Revenue Budgeted	78 691 073	14 391 914	246 628 476	15 317 824	355 029 287
			Shortfall/Excess	10 610 457	18 892 818	10 154 138	34 492 114	74 149 527
			Assessment Outcome per Service	Cost Reflective				
Cost Reflective	2026/2027	Year 2	Revenue Required by NT Tariff Tool	71 229 436	4 679 509	237 595 101	20 028 905	284 116 123
			Revenue Budgeted	82 232 171	15 039 550	257 726 758	16 007 126	371 005 605
			Surplus /Deficit	11 002 735	19 719 059	20 131 557	36 035 031	86 889 482
			Assessment Outcome per Service	Cost Reflective				
Cost Reflective	2027/2028	Year 3	Revenue Required by NT Tariff Tool	76 097 448	4 195 207	251 750 997	20 760 741	302 892 497
			Revenue Budgeted	85 932 618	15 716 329	269 324 462	16 727 447	387 700 856
			Surplus /Deficit	9 835 170	19 911 536	17 573 465	37 488 188	84 808 359
			Assessment Outcome per Service	Cost Reflective				

**VICTOR KHANYE LOCAL MUNICIPALITY**



**BUDGET CIRCULARS**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE E**



## Municipal Budget Circular for the 2025/26 MTREF

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## 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 10<sup>th</sup> 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](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](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 councillors 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 councillor(s) concerned.

#### **4.4. Municipal Pension Fund Contributions**

It has been observed that municipalities have defaulted on their responsibility to ensure that 3<sup>rd</sup> 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](mailto: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](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 *m*SCOA Frequently Asked Question (FAQ) portal by 31 August 2025. The *m*SCOA FAQ portal can be accessed by all registered GoMuni users on the following link:

[https://lg.treasury.gov.za/ibi\\_apps/signin](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 *m*SCOA 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](mailto:lgdataqueries@treasury.gov.za).

It should also be noted that *m*SCOA Circulars No 9, 10, 11 and 12 have also been aligned to *m*SCOA 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 *m*SCOA 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 *m*SCOA 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 *m*SCOA accounts and regulated segments correctly;
- Use systems and tools that comply with the provisions of the *m*SCOA 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 *m*SCOA 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 *m*SCOA to have one version of the truth for reporting to municipal management, council, provincial and national government.

*m*SCOA 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 *m*SCOA 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 *m*SCOA 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 *m*SCOA 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 mSCOA	April 2024 to March 2025
2	Develop standard operating procedures for mSCOA	February 2025 to April 2025
3	Review and update the minimum technical specifications for mSCOA	April 2025 to Oct 2025
4	Align the current ICT due diligence assessment for mSCOA to the updated mSCOA requirements	
5	Develop Regulations on the minimum business processes and technical specifications for mSCOA	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](mailto: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:

<p><b>Internal factors</b></p> <ul style="list-style-type: none"> <li>• 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 &amp; d) of the MFMA.</li> <li>• 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.</li> <li>• KPI description may be revised to correct errors in the wording. An explanation for the correction must accompany the revision.</li> <li>• 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.</li> </ul>
<p><b>External factors</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Cross-cutting conditions</b></p> <ul style="list-style-type: none"> <li>• Municipalities must reflect all KPI changes in their SDBIPs and APRs, providing clear and justifiable reasons for each change and detailing the process followed.</li> </ul>

- 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	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
Buffalo City	Pitso Zwane	012-315 5171	<a href="mailto:Pitso.Zwane@Treasury.gov.za">Pitso.Zwane@Treasury.gov.za</a>
Free State	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.mabaso@treasury.gov.za">Sifiso.mabaso@treasury.gov.za</a>
	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Gauteng	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
	Pitso Zwane	012-315 5171	<a href="mailto:Pitso.Zwane@Treasury.gov.za">Pitso.Zwane@Treasury.gov.za</a>
	Oreal Tshidino	012 315 5090	<a href="mailto:Oreal.Tshidino@Treasury.gov.za">Oreal.Tshidino@Treasury.gov.za</a>
City of Tshwane and City of Johannesburg	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
	Enock Ndlovu	012-315 5866	<a href="mailto:Enock.Ndlovu@treasury.gov.za">Enock.Ndlovu@treasury.gov.za</a>
City of Ekurhuleni	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
	Lunathi Dumani		<a href="mailto:Lunathi.dumani@treasury.gov.za">Lunathi.dumani@treasury.gov.za</a>
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
	Lunathi Dumani		<a href="mailto:Lunathi.dumani@treasury.gov.za">Lunathi.dumani@treasury.gov.za</a>
	Kevin Bell	012-315 5725	<a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
eThekweni	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.mabaso@treasury.gov.za">Sifiso.mabaso@treasury.gov.za</a>
uMhlatuze	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
	Pitso Zwane		<a href="mailto:Pitso.Zwane@Treasury.gov.za">Pitso.Zwane@Treasury.gov.za</a>
Limpopo	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
	Jabulile Ngwenya		<a href="mailto:Jabulile.ngwenya@treasury.gov.za">Jabulile.ngwenya@treasury.gov.za</a>
Mpumalanga	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
	Liyasa Nxosi	012 315 5613	<a href="mailto:liyasa.nxosi@treasury.gov.za">liyasa.nxosi@treasury.gov.za</a>
Northern Cape	Mandla Gilimani	012-315 5807	<a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>
	Liyasa Nxosi	012 315 5613	<a href="mailto:liyasa.nxosi@treasury.gov.za">liyasa.nxosi@treasury.gov.za</a>
North West	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
	Khanyisile Khoza		<a href="mailto:khanyisile.khoza@treasury.gov.za">khanyisile.khoza@treasury.gov.za</a>
Mafikeng	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Western Cape	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
	Enock Ndlovu	012-315 5385	<a href="mailto:Enock.Ndlovu@treasury.gov.za">Enock.Ndlovu@treasury.gov.za</a>
	Khanyisile Khoza		<a href="mailto:khanyisile.khoza@treasury.gov.za">khanyisile.khoza@treasury.gov.za</a>
Cape Town	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
George	Sifiso Mabaso	012-315 5952	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Technical issues on GoMuni Website	Data management		<a href="mailto:lqdataqueries@treasury.gov.za">lqdataqueries@treasury.gov.za</a>

## 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](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](mailto:lgdataqueries@treasury.gov.za) – Database related and submission queries;
- [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) – Only Provincial Treasuries may send contact details to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za) ; and
- mSCOA [Regulations@treasury.gov.za](mailto: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](mailto: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 10<sup>th</sup> 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](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](mailto: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](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](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**





# VICTOR KHANYE LOCAL MUNICIPALITY

## REQUEST FORM

Order instruction no:

<b>Division: Asset Management</b>	<b>Date:</b>	2	8	0	5	2	0	2	5
<b>Prepared by: MM Madinane</b>	<b>Ext \speed dial :</b>								
<b>Detailed Description of item/service</b>									<b>Quantity</b>
1. Appointment of a service provider for the calculation of the provision for the rehabilitation of the landfill site for the 2024-2025 financial year – Bidders must be members of the Consulting Engineers of South Africa and The Institute of Waste Management of Southern Africa or Actuarial Society of South Africa.									

**Motivation (use Annexure if necessary)**

GRAP 19 defines provisions, contingent liabilities and contingent assets identify the circumstances in which provisions should be recognised, how they should be measured and the disclosures that should be made about them.

The Victor Khanye Local Municipality is required to evaluate the closure costs of the licensed landfill site and report on it as required in terms of GRAP 19. The appointed service provider is will be required to prepare that report for the Municipality.

The following minimum specifications must be complied with and clearly marked to serve as confirmation. The work will involve the calculation of the following variables:

**Cost Element**

**Planning for Closure**

- Licence application for operation to closure
- Landfill / quarries Closure Report
- Basic Assessment
- Finalise End-use Plan
- Closure design

**Rehabilitation and Closure**

- Clearing, shaping and compacting
- Capping
- Top-Soiling and vegetation
- Storm water Control Systems
- Leachate seepage Control Systems
- Gas Control System
- Fencing
- Decommissioning of infrastructure
- End-use related infrastructure

**Post-closure monitoring and maintenance**

- Water monitoring
- Gas/Air quality monitoring
- Rehabilitation monitoring
- Maintenance of cover, subsidence and drainage
- Fire Control and vegetation maintenance

<b>End User: PL Mokoena</b>	<b>Date:</b>	2	8	0	5	2	0	2	5
<b>Division's Manager/Head of Department: MM Madinane</b>	<b>Date:</b>	2	8	0	5	2	0	2	5
<b>Received by (SCM):</b>	<b>Date:</b>								
<b>Quotations received from:</b>	<b>Total ( Vat Incl )</b>							<b>SCM Compliance</b>	
								3 quotes	
								Attached?	
								Quotes	
								Signed?	
								VAT Reg no?	

**RECOMMENDED SUPPLIER:**

**BUDGET / FINANCE DIVISION**  
Funds available / Funds not available:

Vote Number:

**Signature**

**Date**

**SCM Practitioner**

Recommended / Not Recommended

**NB:** Complete request form and obtain authorization signature. Request forms that are not signed by the correct delegated authority will not be processed.





## Municipal Budget Circular for the 2025/26 MTREF

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## 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](http://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)<sup>1</sup>. 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

<sup>1</sup> 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 15<sup>th</sup> 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 28<sup>th</sup> 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 31<sup>st</sup> 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 (MTRSR). 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 MTRSR 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 MTRSR reforms are complementary reforms, the MTRSR is a targeted reform linked to a performance incentive grant. Where possible the MTRSR utilises the MFMA Circular No. 88 indicators, as reflected in MTRSR Guidance Note 4 Addendum that was circulated to the metros on the 3<sup>rd</sup> of March 2025. However, noting the targeted business operations turnaround required of MTRSR, 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](mailto: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.

<b>The municipality must submit the completed tool together with the related documentation to the National Treasury GoMuni portal as follows:</b>	<b>Timeframe</b>
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 worth 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](mailto:RevenueManagement@treasury.gov.za) and [mfma@treasury.gov.za](mailto: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](mailto:RevenueManagement@treasury.gov.za) and [Sadesh.ramjathan@treasury.gov.za](mailto: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 directed to National Treasury as may be required. Requests for training and any related queries must be directed to [RevenueManagement@treasury.gov.za](mailto:RevenueManagement@treasury.gov.za) and [Sadesh.ramjathan@treasury.gov.za](mailto: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](mailto:RevenueManagement@treasury.gov.za) and [Sadesh.ramjathan@treasury.gov.za](mailto: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](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 *m*SCOA 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 *m*SCOA version 6.10. For *m*SCOA budgeting and reporting in the 2025/26 MTREF, municipalities should continue using the IUDF and MTSF priorities as per *m*SCOA version 6.9.

### 5.5. Upgrading and procurement of *m*SCOA system solutions and/or functionality

From March 2023, the National Treasury has alerted municipalities that the minimum business processes and system specifications for *m*SCOA 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 *m*SCOA 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 3<sup>rd</sup> 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](mailto: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 *m*SCOA 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 *m*SCOA.

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 *m*SCOA 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:

<b>Province</b>	<b>Responsible NT officials</b>	<b>Tel. No.</b>	<b>Email</b>
Eastern Cape	Matjatji Mashoeshoe	012-315 5553/ 0609242914	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
Buffalo City	Pitso Zwane Mandla Gilimani	012-315 5171 012-315 5807/0661198036	<a href="mailto:Pitso.Zwane@Treasury.gov.za">Pitso.Zwane@Treasury.gov.za</a> <a href="mailto:Mandla.Gilimani@treasury.gov.za">Mandla.Gilimani@treasury.gov.za</a>

Free State	Cethekile Moshane	012-315 5079	<a href="mailto:Cethekile.moshane@treasury.gov.za">Cethekile.moshane@treasury.gov.za</a>
Gauteng	Matjatji Mashoeshoe	012-315 5553	<a href="mailto:Matjatji.Mashoeshoe@treasury.gov.za">Matjatji.Mashoeshoe@treasury.gov.za</a>
City of Tshwane and City of Johannesburg	Pitso Zwane	012-315 7538	<a href="mailto:Pitso.Zwane@Treasury.gov.za">Pitso.Zwane@Treasury.gov.za</a>
	Willem Voigt	012-315 5830	<a href="mailto:WillemCordes.Voigt@treasury.gov.za">WillemCordes.Voigt@treasury.gov.za</a>
City of Ekurhuleni	Makgabo Mabotja	012-315 5156	<a href="mailto:Makgabo.Mabotja@treasury.gov.za">Makgabo.Mabotja@treasury.gov.za</a>
	Kgomotso Baloyi	012-315 5866/082 887 2968	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
Lunathi Dumani	<a href="mailto:Lunathi.dumani@treasury.gov.za">Lunathi.dumani@treasury.gov.za</a>		
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
eThekweni uMhlathuze	Lunathi Dumani	012-315 5725	<a href="mailto:Lunathi.dumani@treasury.gov.za">Lunathi.dumani@treasury.gov.za</a>
	Kevin Bell		<a href="mailto:Kevin.Bell@treasury.gov.za">Kevin.Bell@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952/060 923 7343	<a href="mailto:Sifiso.mabaso@treasury.gov.za">Sifiso.mabaso@treasury.gov.za</a>
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	Khanyisile Khoza	012-315 5385	<a href="mailto:khanyisile.khoza@treasury.gov.za">khanyisile.khoza@treasury.gov.za</a>
Cape Town George	Kgomotso Baloyi	012-315 5866/082 887 2968	<a href="mailto:Kgomotso.Baloyi@treasury.gov.za">Kgomotso.Baloyi@treasury.gov.za</a>
	Sifiso Mabaso	012-315 5952/ 060 923 7343	<a href="mailto:Sifiso.Mabaso@treasury.gov.za">Sifiso.Mabaso@treasury.gov.za</a>
Technical issues on GoMuni	Data management		<a href="mailto:lqdataqueries@treasury.gov.za">lqdataqueries@treasury.gov.za</a>
Local government Conditional Grants			<a href="mailto:Sello.mashaba@treasury.gov.za">Sello.mashaba@treasury.gov.za</a> <a href="mailto:Pretty.mavhungu@treasury.gov.za">Pretty.mavhungu@treasury.gov.za</a> <a href="mailto:Marvin.ngobeni@treasury.gov.za">Marvin.ngobeni@treasury.gov.za</a> <a href="mailto:Akanyang.modise@treasury.gov.za">Akanyang.modise@treasury.gov.za</a> <a href="mailto:Sandra.adams@treasury.gov.za">Sandra.adams@treasury.gov.za</a>

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**JH Hattingh**  
**Chief Director: Local Government Budget Analysis**  
**19 March 2025**



## Municipal Debt Relief

MFMA Circular No. 124

Municipal Finance Management Act No. 56 of 2003

# Municipal Debt Relief

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## 1. Background

(1) *This Circular and the supporting measures it introduces must be seen within the context of and is consistent with MFMA s.34(2)<sup>1</sup> - additional steps to follow should these measures not result in the desired outcomes.*

(2) *Reference to a municipality throughout this Circular must be read to also refer to and/ or include a municipal entity of that municipality, if applicable.*

- 1.1 The challenge of municipal revenue generation and collection existed for a long time and is described as a complex national problem. Often it is a combination of prolonged financial management failures in conjunction with changing/ deteriorating economic circumstances that lead to a municipality's inability to pay its creditors. However, at the core of the problem is *improper leadership behaviour* within municipalities.
- 1.2 Most defaulting municipalities are not generating adequate funding from their operations to sustain their operations. Faced with substandard and/ or the absence of reliable municipal services and perceptions of public money waste, the paying public further deteriorated. There are also inefficiencies in municipalities and Eskom that further aggravate the problem.
- 1.3 The Local Government Equitable Share (LGES) and conditional grants supplement most municipalities own fiscal ability. To enforce discipline for persistent Local Government failures, the National Treasury, to date, embarked on a vigorous LGES withholding processes. In addition, various stakeholders across government adopted numerous approaches to find a solution to the ever-increasing overdue municipal debt balances. This included the establishment of several special focus committees, the current Political Task Team (PTT) chaired by the Deputy President, and committees such as the Technical Task Team consisting of Director-Generals of various departments established under the Presidency. Most of these focused initiatives need a lot more work over the medium to longer term and have not yielded any visible improvement or require legislative amendments that will take time to effect before implementation. Therefore, none of the initiatives underway will relieve the crisis soon although some municipalities require support towards changing their current insolvent trajectory *while being mindful that their persistent culture of financial mismanagement behavior led to their position.*
- 1.4 *This proposal of Municipal Debt Relief is a leverage on government's bigger proposal of a debt relief package for Eskom; and it is noted that the primary problem government wants to resolve is Eskom's financial and debt crisis which also requires a solution to*

nonpayment for electricity consumption by municipalities. In parallel, the challenge of defaulting municipalities cannot be separated from a consumer culture to not pay for services. Without universally restoring debt collection, the debt will immediately start accumulating anew.

- 1.5 Government's debt relief package for Eskom is intended to improve the utility's balance sheet and facilitates this proposal that Eskom write off the municipal debt under strict conditions and with the guidance of the National Treasury. Government in this way is using its Eskom debt relief to bring about critical changes in the energy sector *and simultaneously address* a behavioural change in the municipal defaulters by requiring them to meet certain conditions and in return (as an incentive) relieve their gridlocked financial crisis of historic arrear Eskom debt. There are several conditions, all essentially aimed to *restore a set of basic minimum financial management best practices in municipalities* owing Eskom and change the municipal culture of not paying bulk suppliers and a municipal and Eskom culture to not collect revenue.
- 1.6 A critical component of the conditions therefore relates to achieving a funded budget. This encompasses cost-reflective tariffs, ensuring a complete revenue base, aligning spending patterns to collection levels and optimising and enforcing collection by using both electricity and water as collection tools. A municipality that is unable to pay its creditors must be prudent when spending and borrowing until financial health is restored, the conditions enforce this prudence. Municipal finances should focus on delivery of the core mandate of basic services. The conditions necessitate the ring-fencing/prioritisation of finances for this purpose.
- 1.7 It is anticipated that Municipal Debt Relief by writing-off the historic/ arrear Eskom municipal debt (as part of government's conditions for the debt relief to Eskom) facilitates the restore of financial best practice and could free some revenue in the municipalities owing Eskom, to maintain their current bulk accounts, other creditors and provide a reliable basic level of services. The National Treasury will publish the unfolding of Municipal Debt Relief on a quarterly basis in a schedule to the National Treasury: MFMA Section 71<sup>2</sup> statement and/ or in a separate publication as may be most appropriate.
- 1.8 In terms of section 2 of the Eskom Debt Relief Bill, 2023, government's advances to Eskom over the three financial years of the 2023/24 MTREF will amount to a loan. The Minister of Finance must determine conditions for the conversion of portion(s) of this

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<sup>1</sup> Capacity building – the national and provincial governments must support the efforts of municipalities to identify and resolve their financial problems (MFMA s.34(2)).

<sup>2</sup> Section 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ("MFMA").

loan into government equity. Government's proposed conditions for the broader debt relief for Eskom, include a set of conditions pertinent to Eskom practices in the municipal space and create a condition with Eskom.

#### 1.9 The Municipal Debt Relief proposal consists of four elements:

- i. **Debt write-off:** Eskom is to write-off the municipal debt over three years subject to the municipality's compliance with the conditions.
- ii. **Resolving non-payment:** New mechanisms are being explored to deal with non-payment of electricity debt owed by municipalities, including requesting the National Energy Regulator of South Africa (NERSA)<sup>3</sup> to amend the license conditions of municipalities to facilitate consequence management by NERSA for failure to honour electricity supply agreements (also in respect of payments) which may include re-assigning the licence.
- iii. **Pre-paid metering:** Eskom to continue to implement a regime of installation of smart pre-paid meters in Eskom supplied areas to improve Eskom's revenue collection. Municipalities must progressively adopt a similar operating regime.
- iv. **Municipal revenue enhancement initiatives:** The National Treasury continues to implement initiatives to address weaknesses in revenue management in municipalities. These initiatives include setting cost reflective tariffs, developing proper budget policies to facilitate revenue enhancement and ensuring completeness of revenue by addressing variances between the billing system and the general valuation roll (GVR). These initiatives are supported by the Municipal Revenue Management Improvement Programme (MFIP) technical advisors. A transversal tender for the smart meter solution (smart prepaid meters) will be issued to assist municipalities generate cash pre-service, rather than, post-service.

## 2. Municipalities to benefit from Municipal Debt Relief

- 2.1 The Minister of Finance's conditions for the conversion of portion(s) of the Eskom loan into government equity<sup>4</sup> includes that Eskom completely write-off *the principal debt and interest and penalties of municipalities that owe Eskom* as of 31 March 2023 (excluding the current Eskom March 2023 accounts) over a three-year period. The approach is application based to concretise the implementation and secure accountability and does not require any additional funds from the fiscus.

<sup>3</sup> Regulator means the National Energy Regulator established by section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004).

<sup>4</sup> Section 2 of the Eskom Debt Relief Bill, 2023.

2.2 Eskom **in consultation with** the National Treasury **and only after** the municipality has met the applicable set of conditions to municipalities (to the National Treasury's satisfaction) to write-off a third of the municipality's debt annually (over three financial years). The municipality must meet the conditions applicable to municipalities set-out in 6.1 to 6.14, for 12 consecutive months to qualify for debt write-off – refer to the example timeline for debt write-off that follows:



2.3 Once the municipality's application for Municipal Debt Relief is successful (parallel to the enactment of the Eskom Debt Relief Bill, 2023), the benefit to the municipality will immediately commence with:

2.3.1 Any existing repayment plan with Eskom relating to this debt will come to an end – as long as the municipality meet the conditions for Municipal Debt Relief, it no longer needs to monthly repay any of the arrears, interest or penalties that it owed Eskom as of 31 March 2023<sup>5</sup>;

2.3.3 Eskom to stay the component of legal proceedings relating to this debt; and

2.3.2 Every time the municipality met the conditions of the Relief for 12 consecutive months, Eskom in consultation with the National Treasury, will write-off a third of this debt.

2.4 The municipality's continued benefit of debt write-off in year 2 (2<sup>nd</sup> third of the debt) and year 3 (the last third of the debt) is subject to the municipality meeting the conditions set-out in paragraph 6.1 to 6.14 for the 12 consecutive months respectively of years 2 and 3.

<sup>5</sup> Excluding the March 2023 current account.

### 3. Municipal Debt Relief – Application/ Merit Based

- 3.1 Every municipality with arrear Eskom debt as of 31 March 2023<sup>6</sup> may make a **written application** to the National Treasury for Municipal Debt Relief. The application must include the following minimum information:
- 3.2 A copy of the municipal manager and chief financial officer's joint motivation (a maximum of 5 pages) supported by council's resolution – explaining why the municipality should qualify to benefit from Municipal Debt Relief, including the service delivery and cashflow impact should the municipality's application be denied;
- 3.3 The municipal council's commitment to fully meet all the conditions set out in paragraph 6.1 to 6.14 **and** to demonstrate its compliance to these conditions to the National Treasury's satisfaction for a continued minimum period of 36 consecutive months once the municipality's application is approved;
- 3.4 **Council's approved plan to monthly monitor and report** the municipality's compliance with the conditions for Municipal Debt Relief (paragraph 6.1 to 6.14) to council, the National Treasury and the relevant Provincial Treasuries. The plan must include *in relation to each condition* –
- 3.4.1 The name(s) of the official(s) that will be responsible including the alternate responsible official in the event of death, illness or absence of the principal responsible official;
- 3.4.2 The contact details (email, office-telephone, and cellular numbers) of the officials referred to in paragraph 3.4.1;
- 3.4.3 The specific monthly delivery and reporting date(s) internal to the Municipal Manager and Council as well as to report to the National Treasury and the relevant Provincial Treasury by no later than 10 working days after the end of each month (parallel to the monthly MFMA section 71 statement);
- 3.4.4 The application to clearly confirm whether the assigned responsibility aligns to the municipality's approved delegations, alternatively include a commitment by council to update the delegations within one month from the date of the application and submit proof of such to the National Treasury and relevant Provincial Treasury;
- 3.5 The application to include a copy of *council's signed resolution and instruction* to the municipal administration to the effect that Council approved the motivation (refer 3.2 above), the conditions (refer 3.3 above and 6. below) and the municipality's Debt Relief monitoring plan (refer 3.4 above);

<sup>6</sup> Excluding the March 2023 current Eskom account.

- 3.6 Include the **current number of indigent households registered** as such with the municipality (using the Municipal Budget and Reporting Regulations, 2009 Schedule A1 (Table A10) format (but only reflecting the indigent household information) and indicating additionally –
- i. What number of these households are on:
    - a) pre-paid electricity;
    - b) conventional meters; and
    - c) not metered currently;
  - ii. What number of these households' (that are not on pre-paid electricity) the municipality currently provides with electricity above the national free basic electricity limit of 50 kilowatt hours monthly (and whether households are billed for such);
  - iii. What number of these households are on:
    - a) pre-paid water;
    - b) conventional water meters; and
    - c) not metered currently.
  - iv. What number of these households' (that are not on pre-paid water) the municipality currently provides with water above the national free basic water limit of 6 kilolitre water monthly (and whether households are billed for such);
  - v. Whether the municipality provides any free basic water and/ or electricity to any household that is not registered as an indigent household with the municipality – if yes, the number of such households respectively receiving free water and free electricity;
- 3.7 Include the following information in relation to the municipality's **collection of revenue** – In relation to the quarter immediately preceding the municipality's application:
- 3.7.1 Total average quarterly collection of all revenue excluding Equitable Share and conditional grants;
  - 3.7.2 Total average quarterly collection of municipal property rates;
  - 3.7.3 Total average quarterly collection for each of the four main trading services (as may be applicable to that municipality);
  - 3.7.4 For each of the above the total average collection as well as a breakdown of the collection per ward should be shown;
  - 3.7.5 To clearly indicate in relation to each ward whether it receives its electricity supply in totality or partially from Eskom directly; and
- 3.8 The municipality must already have submitted its completed billing system, general valuation roll (GVR) and/ or interim GVR reconciliations to the National Treasury for the

quarter immediately preceding the application – if not, such needs to be immediately submitted and proof submitted as part of the application.

- 3.9 A template Council resolution included in **Annexure B** will suffice. The municipality may, however, utilize its own format subject to the application including the minimum required information. The municipality's written application together with the supporting information (including the council resolution) must be emailed to [RevenueManagement@treasury.gov.za](mailto:RevenueManagement@treasury.gov.za) for the attention of Mr. Jan Hattingh – Chief Director: Local Government Budget Analysis.

## 4 Monitoring of Compliance

It is vital to effect a change in culture that a municipality's Eskom debt is written-off only after the municipality can demonstrate a change in its behaviour through meeting the set of conditions for 12 consecutive months in relation to each third (1/3) of its arrear debt. The National Treasury and relevant Provincial Treasury<sup>7</sup> therefore must closely monitor the municipality's compliance with the conditions.

### 4.1 Municipal Debt Support – Conditions on the Provincial Treasury

- 4.1.1 The relevant Provincial Treasury, for the duration of the Municipal Debt Support programme, as part of the conditions of all delegated municipalities<sup>8</sup> (refer paragraph 6.10), must demonstrate and adhere to the conditions for Provincial Treasuries set out in this paragraph 4.1.1 to 4.1.6 as a minimum.
- 4.1.2 Monitoring of and reporting in terms of the conditions of the Municipal Debt Support Programme –
- 4.1.2.1 With effect 01 April 2023, the relevant Provincial Treasury must closely monitor all delegated municipalities' adherence to the conditions for municipalities (set-out in paragraph 6.1 to 6.14; and
- 4.1.2.2 Monthly report to the Head of the Provincial Treasury and the National Treasury on each municipality's compliance against progress to facilitate compliance with the conditions by no later than 20 working days after the end of each month.
- 4.1.3 Head of Provincial Treasury certification of municipal compliance –
- 4.1.3.1 The Head of the Provincial Treasury must monthly certify the compliance of every delegated municipality with the conditions for municipalities in paragraph 6.1 to 6.14 as part of the Provincial Treasury's report in terms of 4.1.2 above to

<sup>7</sup> Refer sections 5 and 74 of the MFMA.

the National Treasury by no later than 20 working days after the end of each month.

- 4.1.3.2 If a delegated municipality did not meet any condition during any month, the Provincial Treasury's certificate of compliance in terms of this paragraph must include as an attachment a report explaining the non-compliance and the progressive support measures instituted by both the provincial treasury and the municipality to facilitate the municipality's progressive adherence to the condition(s).
- 4.1.4 To facilitate the standardised monitoring across municipalities and provinces – the format of the certificate of compliance (refer 4.1.(3) above) in which the Head of the relevant Provincial Treasury must monthly certify the municipality's compliance with the conditions for municipalities (paragraph 6.1 to 6.14) is included in **Annexure A** to this Circular.
- 4.1.5 Going forward, the National Treasury may determine the format of the provincial treasuries' reports envisaged in 4.1.(2) above, however, in the interim the provincial treasuries may use their own format and discretion.
- 4.1.6 In the event that the relevant provincial treasury fails to rectify its non-compliance with any of the conditions set-out in paragraph 4.1.1 to 4.1.4 above, within one month of the non-compliance occurring, such non-compliance will be considered as non-compliance by the respective municipality(s) and the condition for municipalities set-out in paragraph 6.10.3 will apply.

## **5 Failure to comply with the conditions of Municipal Debt Relief and related initiatives**

- 5.1 Municipalities are urged to maintain their behavioral change post the support. If a municipality fails to perform during the duration of the Municipal Debt Relief:
- a. The benefits of the Relief to that municipality will immediately cease;
  - b. This means that Eskom will be obliged to implement its credit control and debt management policy on the defaulting municipality and the municipality must immediately start repaying its Eskom arrears, interest and penalties;
  - c. Eskom may resume any legal proceedings (relating to the municipality's arrear debt, interest and penalties as of 31 March 2023), including attaching the municipal bank account; and
  - d. The normal penalties applicable to the wider local government will also apply.

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<sup>9</sup> Refer MFMA Circular No. 20.

- 5.2 It is important to note that the work to resolve non-payment by municipalities is progressive and that the National Treasury intends to enforce the existing penalties available in the legislative framework and add additional penalties, including exploring but not limited to –
- A take-over of a defaulting municipality's electricity business;
  - NERSA strengthening of license conditions;
  - A National Treasury dispute resolution process;
  - Strengthening and adding consequences and related consequence management processes as part of the ongoing review of the MFMA, including to facilitate the upfront resolve of budget issues and to instill a payment culture; and
  - A wider special mechanism/ ombud system to facilitate organs of state payment and related disputes, including instituting consequences for organs of state failure to pay; etc.
- 5.3 In terms of the National Treasury's local government revenue improvement programme, all municipalities that benefit from the Municipal Debt Relief will continue to receive support towards strengthening their revenue value chains.
- 5.4 Municipalities are cautioned that the National Treasury considers the conditions set out in paragraph 6.1 to 6.14 as critical financial management minimum best practise and confirms that if a municipality fails to meet any and/ or a combination of the conditions set out in this Municipal Debt Relief framework, it could (over-and-above the consequences set out in 5.1 above) constitute a serious breach of its financial management fiduciary responsibilities and may also constitute financial misconduct as envisaged in the MFMA<sup>9</sup> and Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014. The National Treasury reserves the right to **immediately** invoke section 216 of the Constitution and/ or any other remedies available to government in terms of the prevailing legislative framework in such a situation (including instituting individual financial misconduct and/ or criminal proceedings).

#### **Re-application and municipal consequence management**

- 5.5 Once the municipality applied for Municipal Debt Relief, if the municipality at any time does not comply with any or a combination of the conditions:

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<sup>9</sup> Municipalities are reminded of MFMA s.173 to the effect that the accounting officer of a municipality is guilty of an offence if that accounting officer, deliberately or in a gross negligent way contravenes or fails to comply with MFMA s. 65(2)(f). Moreover, MFMA s.174 provides for penalties, to the extent where a person is liable on conviction of an offence in terms of section 173 to imprisonment for a period not exceeding five years or to an appropriate fine determined in terms of applicable legislation.

- 5.5.1 The municipality's 12 consecutive months of compliance to the conditions will be interrupted;
- 5.5.2 The municipality may make a new application to the National Treasury. The municipality's new application (in addition to the requirements of paragraph 3. above), must –
- 5.5.2.1 provide detailed reason(s) as to why the municipality failed to meet the specific condition(s);
  - 5.5.2.2 provide proof of the corrective measures and/ or disciplinary action the municipality already instituted to address this non-compliance to the conditions of Municipal Debt Relief;
  - 5.5.2.3 provide the name(s) and position(s) of the person(s) responsible for the failure together with any other necessary information the National Treasury may require in terms of the Municipal Regulations on Financial Misconduct and Criminal Proceedings, 2014 to facilitate appropriate and relevant financial misconduct and/ or criminal proceedings;
  - 5.5.2.4 provide information on how a recurrence of the failure will be prevented in future;
  - 5.5.2.5 include a motivation from the relevant Provincial Treasury as to why the Provincial Treasury supports (or does not support) the municipality's new application; and
  - 5.5.2.6 include any additional information as may be required by the National Treasury.

**National Treasury's consideration of a new application for Municipal Debt Relief**

5.6 The National Treasury will consider the municipality's new application on merit. **If approved, the National Treasury:**

- i. May make the municipality's continued participation subject to additional conditions in addition to those set-out in section 6. below; and
- ii. The municipality's 12 consecutive months required compliance with the conditions for Municipal Debt Relief and any additional conditions will start running afresh.

**Eskom application of Municipal Debt Relief**

5.7 Once the municipality, to the satisfaction of the National Treasury, has complied with the conditions of the Municipal Debt Relief (refer to paragraph 6.1 to 6.14 below) for 12 consecutive months, the National Treasury will request Eskom the write-off of one third (1/3) of the municipality's arrear debt.

- 5.8 Once Eskom has written-off one third of this arrear debt it will remain written-off, irrespective of whether the municipality consequently fails to comply with any of the conditions for Municipal Debt Relief (same will apply to the 2<sup>nd</sup> and 3<sup>rd</sup> of the municipality's arrears once written-off). However, a municipality's continued participation will be affected and it must re-apply for Municipal Debt Relief following any non-compliance (refer to paragraph 4.1 and 4.2 above).

#### **Failure to apply for Municipal Debt Relief**

- 5.9 A municipality that is indebted to Eskom but fails to apply for this Relief will still be accumulating debt. The municipality, by not embracing the basic financial management best practise embodied in this Relief will (by not applying) confirm the municipality's choice of not doing anything about its financial problems. The municipality is cautioned that its failure is considered serious and amounts to a persistent breach of the financial management fiduciary duties embodied in the MFMA. The municipality could also face the potential risk of losing its electricity licence.

## **6 Conditions on Municipalities – Municipal Debt Relief**

*Reference to a municipality in these conditions must be read to also refer to and/ or include a municipal entity of that municipality, if applicable.*

### **6.1 Municipality non-compliance:**

- 6.1.1 The National Treasury will only request Eskom to write-off a municipality's arrear debt, if the municipality demonstrates to the National Treasury's satisfaction, that the municipality complied with paragraph 6.2 to 6.14 for a consecutive period of 12 months.
- 6.1.2 **Once the debt is written-off it remains written-off** – It is noted that *irrespective of paragraph 6.2 to 6.14*), once Eskom has applied the annual third debt write-off to the municipality's arrear debt owed to Eskom (as at 31 March 2023), such arrear debt (or component thereof) remains fully settled to Eskom irrespective of the municipality's subsequent non-compliance with the conditions.

### **6.2 Application-based supported by Council's resolution –**

- 6.2.1 Every municipality with arrear Eskom debt (as at 31 March 2023) (excluding the March 2023 current account) will be targeted subject to the municipality making a written application to the National Treasury (in the required format) to benefit from this relief package – the National Treasury will consider each application on merit.

- 6.2.2 A municipality does not qualify to benefit in terms of this relief if its written application is not supported by a Council resolution and does not include the minimum information as required in terms of this MFMA Circular.
- 6.2.3 If a municipality fails to meet any of the conditions set-out in paragraph 6.1 to 6.14 during any consecutive 12 month period, it must apply afresh to the National Treasury, including providing any additional information as may be required by the National Treasury and submit a new council resolution to continue benefitting in terms of this Municipal Debt Relief.
- 6.2.4 The municipality must submit the signed council resolution and minimum information envisaged in paragraph 6.2 to the National Treasury in PDF format via the GoMuni Upload Portal. The upload portal can be accessed on <https://lquploadportal.treasury.gov.za>.

**Supporting evidence:** The municipality's Council resolution (signed and aligning to paragraph 6.2) uploaded to the National Treasury's GoMuni Upload Portal.

**6.3 Maintaining the Eskom bulk current account<sup>10</sup> – (current account for the purpose of this exercise means the account for a single month's consumption<sup>11</sup>):**

- 6.3.1 The municipality must monthly pay and maintain its Eskom bulk current account within 30 days of receiving the relevant invoice (this applies to all municipalities, including metros);
- 6.3.2 The municipality must submit supporting evidence to the National Treasury and Eskom of the respective payment(s) within 1 day of making any such payment;
- 6.3.3 The municipality must submit the proof of payment to the National Treasury in PDF format via the GoMuni Upload Portal to substantiate that payment was made. The upload portal can be accessed on <https://lquploadportal.treasury.gov.za>; and
- 6.3.4 Importantly, the amount as per the proof of payment must reconcile to the amounts recorded on the financial system as per the *mSCOA* data string and the section 41(2) MFMA statement of Eskom.

**Supporting evidence:** The municipality's proof of payment to Eskom uploaded monthly to the National Treasury's GoMuni Upload Portal. The proof of payment reconciles to the amounts recorded in the municipality's financial system (as per *mSCOA* data string and the section 41(2) MFMA statement of Eskom).

<sup>10</sup> MFMA Circular no. 49 issued in 2009 highlighted the management and payment of creditors, including: The accounting officer of a municipality is responsible for the management of the expenditure of the municipality (MFMA s.65). All money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement and the municipality must comply with its tax, levy, duty, pension, medical aid, audit fees and other compulsory commitments (MFMA s.65(2)(e) and (f)).

<sup>11</sup> Subject to the municipality meeting the conditions for Municipal Debt Relief, there will be no interest accumulating monthly on the arrears the municipality owed Eskom as on 31 March 2023.

## 6.4 A funded MTREF –

6.4.1 The municipality must table and adopt a funded MTREF aligning to the National Treasury's Budget Funding Guidelines<sup>12</sup> – <http://mfma.treasury.gov.za/Guidelines/Pages/Funding.aspx> with effect the tabling of the 2023/24 MTREF. The municipality must therefore make adequate provision for 'depreciation and asset impairment' and 'debt impairment' and must not budget for any operating deficit on the A1 Schedule (Table A4 – Budgeted Financial Performance) of the Municipal Budget and Reporting Regulations; and

*If the municipality only collected 60 per cent of its revenue (including property rates) during the preceding 12 months, a realistic provision for debt impairment should align to 40 per cent of the 2023/24 MTREF revenue projections.*

6.4.2 If the municipality's MTREF is not funded, it must table and adopt a credible Budget Funding Plan as part of the MTREF budget (refer item 9.3 of MFMA Budget Circular No. 122, 09 December 2022). The municipality's annual and monthly cashflow projections on the A1 Schedule (Table A7 Budgeted Cash Flows and Supporting Table SA 30 – Budgeted Monthly Cash Flows) of the Municipal Budget and Reporting Regulations must evidence the municipality's Budget Funding Plan strategy and seasonal trends.

**Supporting evidence:** The National Treasury and/ or provincial treasury funding compliance assessment confirms the municipality's relevant MTREF is funded and aligning to the National Treasury's Budget Funding Guidelines; and that the budgeted cash flows evidence the Budget Funding Plan strategy and seasonal trends.

6.5 **Cost reflective tariffs** – The municipality must include its completed tariff tool (refer MFMA Circular No. 98 and item 5.2 of MFMA Budget Circular No. 122) as part of the municipality's annual tabled and adopted MTREF submissions with effect the tabling of the 2023/24 MTREF.

**Supporting evidence:** The municipality's tabled and adopted MTREF submission(s) include the completed tariff tool (refer MFMA Circular No. 98).

*Towards facilitating a funded budget as required in terms of paragraph 6.4, the municipality must demonstrate through the National Treasury tariff tool that the municipality's tariffs recover what it costs the municipality to render the four main trading – and other services (relevant to the municipality). **If the tariff(s) for any service is not cost-reflective, the municipality should phase the cost-reflective tariff in over a period of 3 to 5 years. The budget narratives should include the municipality's strategy in this regard.***

<sup>12</sup> The National Treasury confirms that the requirement of a funded budget already implies that the municipality must manage all its creditors (particularly bulk water creditor(s)).

**6.6 Electricity and water as collection tools** – With effect from the tabling of the 2023/24 MTREF, the municipality must **demonstrate, through its by-laws and budget related policies** that:

- 6.6.1 The municipality monthly issues all consumers/ property owners with a consolidated municipal bill in terms of which all partial payments received are allocated in the following order of priority: firstly, to property rates, thereafter to water, wastewater, refuse removal and lastly to electricity;
- 6.6.2 The municipality is cutting electricity services and/ or blocking the purchasing of pre-paid electricity of any defaulting consumer/ property owner unless the defaulter already registered as an indigent consumer with the municipality;
- 6.6.3 The municipality is restricting and/ or interrupting the supply of water of any defaulting consumer/ property owner unless the defaulter already registered as an indigent consumer with the municipality; and

*In terms of this condition the municipality must undertake such restriction/ interruption of water together with the municipal engineer(s) to ensure a minimum supply of wastewater.*

- 6.6.4 If the defaulting consumer/ property owner is registered as an indigent consumer with the municipality, the monthly supply of electricity and water to that consumer/ property owner must be physically restricted to the monthly national basic free electricity- and water limits of 50 Kilowatt electricity and 6 Kilolitres water, respectively.

**Supporting evidence:** The National Treasury and/ or provincial treasury's related budget assessment confirms the municipality's relevant MTREF's related budget policies and by-laws demonstrate compliance with paragraph 6.6.

**6.7 Maintain a minimum average quarterly collection of property rates and services charges –**

- 6.7.1 The municipality must strictly enforce its credit control and debt management related policies and achieve a minimum of 80 per cent average quarterly collection of property rates and service charges with effect from 01 April 2023 and 85 per cent average quarterly collection with effect from 01 April 2024 during any quarter. Although the norm and standard for collection rate according to MFMA Circular No. 71 indicates a 95 per cent threshold, municipalities under the debt relief support will be exempted for the first two years from adhering to this norm;
- 6.7.2 If a municipality is unable to achieve the minimum average quarterly collection as per paragraph 6.7.1, it must demonstrate to the satisfaction of the National Treasury that –

- 6.7.2.1 The underperformance directly relates to Eskom supplied areas where the municipality does not have electricity as a collection tool and that the average quarterly collection of the municipality (excluding Eskom supplied areas) equals the required quarterly average collection set-out in paragraph 6.7.1;
- 6.7.2.2 The municipality for technical engineering reasons is unable to physically restrict and/ or limit the supply of water in the Eskom supplied area(s); and
- 6.7.2.3 The municipality before 01 February 2024 attempted to enter into a service delivery agreement with Eskom for purposes of municipal revenue collection in the Eskom supplied area(s) as envisaged in sections 76 to 78 of the Municipal Systems Act, 2000 and that such failed and the reason(s) for the failure.
- 6.7.3 Similar to Eskom, the municipality must progressively implement a regime of installation of smart pre-paid meters in the municipality supplied areas to improve its collection. Only then, on an individual case-by-case basis, may the municipality consider writing off the debt of its customers, within its normal credit control process.
- 6.7.4 Any new electricity connection installed in the demarcated area with effect the 2023/24 MTREF must be smart pre-paid meter.
- 6.7.5 The municipality's 2023/24, 2024/25 and 2025/26 tabled and adopted capital budgets and MFMA Section 71 statements to reflect the approach set out in 6.7.3 and 6.7.4.

*A similar approach to Eskom will facilitate a similar approach to all electricity consumers irrespective of whether they are supplied by Eskom or a municipality.*

**Supporting evidence:** The municipality's MFMA s.71 monthly and quarterly report(s) uploaded to the National Treasury local government database and reporting system (LGDRS) must demonstrate an 80 per cent average quarterly collection as per the municipality's financial system (as per mSCOA data string) with effect 01 April 2023 and 85 per cent with effect 01 April 2024. Although the norm and standard for collection rate according to MFMA Circular No. 71 indicates a 95 per cent threshold, municipalities under the debt relief support will be exempted for the first two years from this norm.

**6.8 Completeness of the revenue base –**

- 6.8.1 The municipality must demonstrate by completing the National Treasury property rates reconciliation tool that the municipality's billing system perfectly aligns to its Council approved General Valuation Roll (GVR) and/ or any subsequent supplementary GVR compiled by the registered municipal valuer and demonstrate the steps taken to correct the variances identified; and

- 6.8.2 The municipality must submit its completed billing system, GVR and/ or interim GVR reconciliations required in terms of paragraph 6.8.1 to the National Treasury

**Supporting evidence:** The municipality's reconciliation of its council approved GVR/ supplementary GVR to its financial billing system and demonstrate the steps taken to correct the variances identified must be uploaded quarterly to the National Treasury's GoMuni Upload.

**6.9 Monitor and report on implementation –**

- 6.9.1 **MFMA section 71 reporting** – the municipal council and senior management team must closely monitor and enforce accountability for the implementation of the municipality's funded budget and Budget Funding Plan where relevant;
- 6.9.2 Where progress is slow in terms of paragraph 6.8.3, the **active intervention must be evident** from the narratives supporting the municipality's monthly MFMA section 71 reporting and recorded on the financial system as per the mSCOA data string. The MFMA section 71 statement to include progress on the Budget Funding Plan where relevant;
- 6.9.3 **Municipalities with financial recovery plans (FRP)** – if the municipality has a FRP as envisaged in the prevailing local government legislative framework, it must monthly report its progress in implementing its FRP to the Provincial Executive;
- 6.9.4 A municipality that has an FRP, may only benefit from the Municipal Debt Support programme if, with effect from 01 April 2023, parallel to submitting its monthly FRP progress reports to the Provincial Executive, it also submits such FRP progress reports to the National Treasury: Municipal Financial Recovery Service (MFRS).

*Where a municipality has a budget funding plan and/ or an FRP, all such will be considered in combination with the municipality's MFMA s.71 statement when assessing compliance to this condition.*

**Supporting evidence:**

- (1) The municipality's MFMA s.71 monthly statement(s) uploaded to the National Treasury local government database and reporting system (LGDRS).
- (2) If the municipality has a budget funding plan, the MFMA s.71 monthly statement must include progress against the budget funding plan as part of the narrative component required for the MFMA s.71 statement as well as demonstrate progress (as per mSCOA data string) against the budget funding plan.
- (3) If the municipality has an FRP, such must monthly be submitted to the Provincial Executive and NT: MFRS.

**6.10 Provincial Treasury certification of municipal compliance** – in terms of section 5 and 74 of the MFMA, with effect from 01 April 2023, a delegated municipality<sup>13</sup> may not benefit from Municipal Debt Relief:

- 6.10.1 unless the relevant Provincial Treasury monthly monitored the municipality's compliance in terms of these conditions;
- 6.10.2 unless the relevant Head of the relevant Provincial Treasury monthly certified the municipality's compliance to these conditions, to the National Treasury's satisfaction as envisaged in the **conditions for provincial treasuries** (refer paragraph 4.1.1 to 4.1.5 above); and
- 6.10.3 If the Provincial Treasury fails to rectify the provincial treasury's non-compliance with any of the **conditions for provincial treasuries** (refer paragraph 4.1.1 to 4.1.6 above) within one month of the non-compliance occurring, such non-compliance will be considered as non-compliance by the municipality in terms of paragraph 6.1.1.

**Supporting evidence:** The relevant Provincial Treasury: HOD's certification of the respective municipality's compliance to the conditions of this framework (in the format as may be required by the National Treasury) monthly uploaded to the National Treasury GoMuni portal.

**6.11 Limitation on municipality borrowing powers<sup>14</sup>** – a municipality benefitting from Municipal Debt Relief is not allowed to borrow for a period of 3 consecutive municipal financial years from the date of its initial or any subsequent benefit in terms of this municipal debt support programme.

**Supporting evidence:** The National Treasury and/ or provincial treasury's related budget assessment and monthly MFMA s.71 assessment confirms the municipality's compliance with 6.11.

**6.12 The municipality for the duration of the Municipal Debt Relief (to ensure proper management of resources):**

- 6.12.1 must apportion and ring-fence in a sub-account to its primary bank account –
  - (a) all electricity, water and sanitation revenue the municipality collects in any month; and
  - (b) the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic electricity, water and sanitation.
- 6.12.2 must monthly first apply the revenue in the sub-account (required per paragraph 6.12.1) to pay its current Eskom account and then secondly its bulk water current account before it may apply the revenue in the sub-account for any other purpose.

<sup>13</sup> A municipality in terms of which the National Treasury delegated its MFMA oversight powers and functions to the relevant provincial treasury as set-out in MFMA Circular No. 20.

<sup>14</sup> In terms of section 5 of the MFMA, particularly section 5(1)(c) read in conjunction with section 5(2)(d) to (f), etc.

**Note:** A request will be made to the Minister of Finance immediately succeeding the application to exempt municipalities formally from MFMA s.8(3) to facilitate this condition.

**Supporting evidence:** The municipality monthly submit a copy of the bank statement of its ring-fenced bank account to the National Treasury and provincial treasury aligning to its MFMA s.71 statement collected revenue.

- 6.13 **Accounting Treatment** – The municipality must fully account for and correctly report on the write-off of its Eskom arrear debt (debt existing as on 31 March 2023) as per the written instruction of the National Treasury: Office of the Accountant General – their formal guidance to follow.

**Supporting evidence:** The National Treasury, provincial treasury assessment and audit report indicates alignment to the OAG guidance.

- 6.14 **NERSA Licence – by applying for Municipal Debt Relief as set-out in paragraph 3**

The council of a municipality that during the duration of the Municipal Debt Relief programme fails to comply with any condition of the Relief, agrees to make an application to NERSA to voluntarily revoke the municipality's license in terms of section 18 of the Electricity Regulation Act, 2006 (Act no. 4 of 2006).

**Supporting evidence:** The municipality's Council resolution (signed and aligning to paragraph 3. and 6.2) uploaded to the National Treasury's GoMuni Upload

## 7 Active partnering of selected municipalities

Eskom will support selected municipalities with electricity pricing and electricity distribution losses and to determine the appropriate Notified Maximum Demand (NMD) threshold as part of the Minister of Finance conditions for Eskom in terms of section 2 of the Eskom Debt Relief Bill, 2023. The National Treasury will soon communicate with selected municipalities, the list of prerequisites and/ or information the municipality must provide to Eskom to facilitate Eskom's support to the municipality.

- 7.1 It is important that municipalities note that the **Eskom support envisaged** in terms of this paragraph is limited to Eskom's knowledge sharing and/ or technical advice. If any Eskom advice/ knowledge sharing in terms of this initiative requires a municipality to pay a fee or any cost to procure goods, services, or further support/ advice (including from Eskom), such procurement is subject to the Municipal Finance Management Act, 2003 (Chapter 11) and/ or the Municipal Supply Chain Management Regulations, 2005.
- 7.2 Eskom's support to municipalities in terms of this initiative to include:

- a. Fostering support with electricity pricing and the curbing of technical electricity distribution losses; and
  - b. **Only in relation to the municipalities selected for NMD support**, fostering support to facilitate that these municipalities determine their individual appropriate NMD threshold.
- 7.3 A municipality's participation in this support initiative is subject to:
- a. The municipality **making a formal written application to the National Treasury for Eskom's support** on/ before 31 May of each year; and
  - b. The municipality committing to align the timing of its annual tariff application to NERSA in consultation with the National Treasury to facilitate consideration of Eskom's advice.
- 7.4 The National Treasury will communicate to Eskom the successful applicant municipalities to be supported.

## 8 Budgeting for Municipal Debt Relief

Municipal Debt Relief is conditional as set-out above. Municipalities are therefore cautioned to budget conservatively and realistically for the related benefit. Only once the municipality has fully met all the Relief conditions for 12 consecutive months and the National Treasury instructed Eskom to write-off a third of the municipality's arrears, should the municipality consider that third of the benefit of Municipal Debt Relief as having materialised. The same applies when providing for the 2<sup>nd</sup> and 3<sup>rd</sup> thirds of the Municipal Debt Relief benefit.

## 9 Municipal Debt Relief Queries/ Clarification

Municipalities qualifying for Municipal Debt Relief are encouraged to apply as soon as possible to the National Treasury as set-out in this Circular. Any queries or clarification required may be directed to the Director: Local Government Budget Analysis: Revenue Section, Mr. Sadesh Ramjathan at [Sadesh.Ramjathan@treasury.gov.za](mailto:Sadesh.Ramjathan@treasury.gov.za).

All uploads to the GoMuni Upload Portal must clearly be labelled using the demarcation code of the municipality, name of the municipality and nature of the document e.g. POP for Eskom for "month x", etc.

## Contact



**national treasury**

Department  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**Post** Private Bag X115, Pretoria 0001  
**Phone** 012 315 5009  
**Fax** 012 395 6553  
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**JH Hattingh**  
**Chief Director: Local Government Budget Analysis**  
**31 March 2023**

**ANNEXURE A – PROVINCIAL TREASURY CERTIFICATE OF COMPLIANCE  
(TEMPLATE)**  
**ANNEXURE B – MUNICIPAL APPLICATION AND COUNCIL RESOLUTION  
(TEMPLATE)**

**VICTOR KHANYE LOCAL MUNICIPALITY**



**PROVINCIAL TREASURY BUDGET ASSESSMENT**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE F**



provincial treasury

MPUMALANGA PROVINCE  
REPUBLIC OF SOUTH AFRICA

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SigcinaMafa SesiFundza

UmNyango weeMali ZesiFunda

Provinsiale Tesourie

Enquiries Mr. IDP Strauss  
Ref MPT 12/1/1/14

**Mr. T Mashabela**  
**Municipal Manager**  
**Victor Khanye Local Municipality**  
**P.O. Box 6**  
**DELMAS**  
**2210**

Dear Sir

## FEEDBACK REPORT ON THE 2025/26 DRAFT BUDGET ANALYSIS

In terms of the requirements of the Municipal Finance Management Act No 56 of 2003 (MFMA) and as part of its oversight role over local government finances, the Provincial Treasury is responsible for reviewing and commenting on the draft budgets of all delegated municipalities prior to their adoption by the respective Municipal Councils. The draft budget for Victor Khanye Local Municipality was assessed in terms of quality and compliance with the prescriptions of the MFMA and the Municipal Budget and Reporting Regulations.

This assessment report of the tabled 2025/26 MTREF draft budget is mainly focused on the following key areas:

- a) Compliance with Municipal Budget and Reporting Regulations (MBRR) as per Government Gazette 32141 dated April 2009;
- b) Compliance with the National Treasury MTREF budget checklist;
- c) Compliance to MFMA No 56 of 2003, MFMA Budget and Mscoa Circulars;
- d) Whether the budget is credible and realistic as per Section 18 of the MFMA and funded in accordance with the funding compliance test as per MFMA Circular 42; and

From a quality perspective, the budget was assessed in accordance with three criteria, namely:

- a) **Credibility:** To determine if the budget is funded in terms of Section 18 of the MFMA and whether the municipality adopted a budget process with evidence of sufficient political oversight and public participation. Political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office. The budget brings effect to Council priorities and hence these priorities should be financially sustainable and Council must ensure that its priorities are affordable from a budgeting perspective. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.
- b) **Relevance:** To test if the budget is aligned to the Integrated Development Plan (IDP) of the municipality and the extent to which the National Development Plan and provincial priorities, including MFMA and mSCOA Circulars were considered.

## FEEDBACK REPORT ON THE 2025/26 DRAFT BUDGET ANALYSIS

- c) **Sustainability:** To determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. This is crucial as the budget is analysed over the MTREF.

### 1. KEY OBSERVATIONS AND FINDINGS

#### 1.1 CREDIBILITY

- a) The operational revenue budget has been increased by 20.2 percent of the adjusted budget of the current year. The own revenue generation contribute 84.7 percent of the R787 Million operational budget;
- b) The municipality budgeted for Electricity as per the guidance by NERSA and has been increased by 9.2 percent, water management has been increased by 6.0 percent, water waste management has been increased by 4.4 percent and Refuse has been increased by 4.4 percent which is in line with the guide of circular 130 of the MFMA.;
- c) The municipality have increased the interest earned from receivables with 82.7 percent from R90,5 million to R166,3 million;
- d) Surcharges and taxes have increased with 118.8 percent from R33,5 million to R73,3 million;
- e) Interest increased with 61.9 percent from R32,8 million to R53,1 million;
- f) The municipality budgeted R142,155 million for operational grants. Provincial Treasury calculated the operational grants as per the DoRA allocations for 2025/26 as follows:

• Equitable Share	R157,131,000
• FMG	R1,900,000
• EPWP	R1,976,000
• 5% of MIG to PMU	<u>R1,480,900</u>
<b>Total</b>	<b>R162,487,900</b>

- The municipality budgeted R20,332,900 less than the DoRA allocations for 2025/26 for their operational grants. The outer years figures must also be corrected;
- g) The total expenditure for the municipality is projected to increase by 2.2 percent from the adjusted budget of R878,6 million to R897,6 million for the 2025/26 financial year;
- h) The municipality increased employee related costs with 5.4 percent from R201,5 million for the adjusted budget to R210,7 million for 2025/26. This is above the SALGA directive of 5.1 percent as stipulated in the the SALGA Circular 01/2025;
- i) Remuneration for councillors increased with 20.2 percent, which is way above the SALGA directive;
- j) The municipality have not budgeted for debt impairment at all, whilst the collection rate is 60% as reported with the debt relief Annexure D.
- k) The municipality has increased depreciation and amortisation by 10 percent for the 2025/26 financial year;
- l) Bulk Purchases and inventory consumed water has been increased by 15.6 percent of the adjusted budget of R203,8 million from the current financial year to R228,2 million for 2025/26;
- m) Contracted services has been increased by 23.8 percent of the adjusted budget of R99 million from the current financial year to R122,7 million for 2025/26;
- n) The budget for the operational costs has been increased by 24.2 percent from R54 million to R67 million;
- o) Interest paid increased with 66.7 percent from R30 million to R50 million;
- p) The tabled operational budget for the municipality has a deficit of R255 million as per the Provincial Treasury calculation, whilst the municipality estimated a surplus of R32 million for the 2025/26 budget;

## FEEDBACK REPORT ON THE 2025/26 DRAFT BUDGET ANALYSIS

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- q) The municipality budgeted R29,618,000 for capital transfers on A4 and A5. Provincial Treasury calculated the capital transfers using the DoRA allocations for 2025/26 as follows:
- WSIG R17,000,000
  - 95% of MIG R28,137,100
  - Total R45,137,100**
- The municipality budgeted R15,519,100 less than the DoRA allocations for 2025/26 for their capital transfers. The outer years figures must also be corrected;
- r) The budget of the municipality on Table A7 shows a positive cash and cash equivalents of R76 million during the adjustment budget, cash and cash equivalent of R268 million deficit for 2025/26, R453 million deficit for 2026/27 and R643 million deficit for 2027/28 financial years as per Provincial Treasury's calculations.

### 1.2 RELEVANCE

- a) The budget of the municipality was directly captured on the system and the A schedules directly populated from the system;
- b) The 2025/26 MTREF budget was tabled on the 27<sup>th</sup> of March 2025 to comply with section 18 of the MFMA no.56 of 2003 and the budget data strings were uploaded on the LG Database immediately;
- c) The municipality tabled the 2025/26 budget time table before 31 August 2024 as per the requirement;
- d) The budget and IDP was correctly linked as there were no errors on the project details data strings;
- e) Supporting schedules SA36 and SA38 are populated correctly;
- f) The municipality did not upload all the draft budget documents into the LG Database; and
- g) The municipality did not publish all draft budget documents and related policies on the municipality's website, which is in not line with section 75 of the MFMA.

### 1.3 SUSTAINABILITY

- a) Service charges Energy sources is trading at a surplus of 15 percent or R13 million, water management is trading at a surplus of 30 percent or R3,5 million, waste management at a surplus of 73 percent or R5.5 million, whilst waste water management trades at a surplus of 33 percent or R6.4 million;
- b) The current collection rate is at 60 percent, which is very low against the NT norm of 95 percent;
- c) The budget for repairs and maintenance of 2.9 percent is below the norm of 8 percent of circular no. 71 of the MFMA;
- d) The municipality budgeted R34,5 million for capital projects from internally generated funds, whilst their budget is unfunded with over a billion rand;
- e) The current ratio for the municipality is 0.18 (norm is between 1.5 and 2.0). A current ratio below 1.0 is an indication of insolvency;
- f) The liquidity ratio is at 0.05 (norm is 1) as per the PT estimation;
- g) The Municipality will not be able to cover all commitments for each financial. The cost coverage should be at three months as per MFMA Circular 71. The Municipality is at 1.26 months as per the 2025/26 budget;
- h) The Municipality is able to pay creditors within 30 days as stipulated in the MFMA section 65 as their creditor payment period calculates to 919 days; and
- i) The budget of the municipality on Table A8 shows a deficit of R978 million during the adjustment budget and a deficit of R1.210 billion for 2025/26, R1.426 billion in

## FEEDBACK REPORT ON THE 2025/26 DRAFT BUDGET ANALYSIS

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2026/27 and R1.648 billion in the 2027/28 financial years as per Provincial Treasury's calculations.

### 3. RECOMMENDATIONS

It is recommended that the Municipality

- a) Budget for operational transfers and capital grant allocation as per the Division of Revenue Bill (B7-2025) for 2025/26 as well as the outer years;
- b) Complies with MFMA Section 69 (1) (a) and (b) with regard to the budget implementation;
- c) Implement an effective revenue enhancement strategy and credit control policy to improve revenue collection;
- d) Uses the Dummy Budget format template as a guide to ensure full compliance with the Municipal Budget and Reporting Regulations;
- e) Balance its expenditure with the revenue collection considering the low collection in the area;
- f) Comply with MFMA Circular 130, explaining all major decreases and increases above/below the 4.3 CPI;
- g) Ensures that the correct budgeted figures are uploaded on the LG database with the final budget;
- h) Upload all the outstanding draft budget documents and related policies into the LG Database and also publish them on the municipality website as per Section 75 of the MFMA and circular 130; and
- i) Table the Provincial Treasury assessment outcome and recommendations to Council and provide certainty that the recommendations were considered and changes effected prior the adoption of the final budget.

### 4. RESOLUTIONS

- a) The municipality to finalise the negotiations with Rand Water and send the signed Rand Water repayment plan to PT;
- b) Municipality to send the BFP presentation per unit to PT as well as the reviewed BFP;
- c) The municipality to prioritised the implementation of the BFP;
- d) Municipality to send an updated progress report on the R10 million smart meter grant transferred by PT as well as a close out report once the project is finalised. The impact on the revenue should also be reported on;
- e) Municipality to finalise the negotiations with Eskom with the property rates on the power station;
- f) Municipality to send the letter for support on the Revenue Enhancement Strategy to PT and CoGHSTA;
- g) PT and CoGHSTA to support the municipality with their Revenue Enhancement Strategy;
- h) Municipality to ensure that 3<sup>rd</sup> parties, SARS and AG are paid in full as it might affect the release of the ES in July 2025;
- i) Municipality to send the updated budget presentation to PT;
- j) Municipality to improve on the progress with the implementation of the web-based AAP;
- k) Municipality to ask for condonation from the MEC: CoGHSTA for the late gazetting of the valuation roll;
- l) PT will convene a GRAP workshop before 30 June 2025;

## FEEDBACK REPORT ON THE 2025/26 DRAFT BUDGET ANALYSIS

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- m) The municipality must re-work the 2025/26 budget taking the PT's observations and recommendations into account;
- n) The municipality to upload the re-worked budget on the Go-Muni for PT to do a final assessment;
- o) PT to send the HO signed budget letter to the municipality before tabling the final 2025/26 budget in Council;
- p) Municipality to share their Financial Year End- and Procurement Plan;
- q) The municipality to table the final 2025/26 budget, budget policies as well as PT's recommendations in Council before 31 May 2025.

Your co-operation is appreciated.

Regards,

**MS GUGU MASHITENG**  
**HEAD: PROVINCIAL TREASURY**  
**DATE: \_\_\_/04/2025**

**VICTOR KHANYE LOCAL MUNICIPALITY**



**BUDGET FUNDING PLAN**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE G**

VICTOR KHANYE LOCAL MUNICIPALITY  
BUDGET FUNDING PLAN - 2025/26

PILLAR	Status Quo	Focus Area	Key Activities	Responsibility	Timeline #	Start Date	End Date	Anticipated Measurable Outcome	Baseline
					(✓ - Tick)				
<b>OFFICE OF THE MUNICIPAL MANAGER</b>									
			1. Develop advertising boards, 2. Issue fines for illegal advertising, 3. Develop policy for advertising and council approve policy.	Manager Strategic Manager	I	S	M	L	
		Revenue from outdoor advertising and fine	1. Issuing of Spiluma certificate, 2. Issue fines for incorrect land use.	Manager Strategic Manager	✓	01-Jul-25	30-Jun-26	R1 570 000.00	R157 000.00
		Revenue from spiluma certificate and fine	1. Awareness, 2. Conversion of land use from Residential to business use.	Manager Strategic Manager	✓	01-Jul-25	30-Jun-26	R600 000.00	R60 000.00
		Revenue from Application for Business Licence and fine	(1) Obtain a council resolution (2) advert selling or stand (3) adjudicate on the selling of land	Manager Strategic Manager	✓	01-Jul-25	30-Jun-26	R1 400 000.00	R140 000.00
		Revenue from selling of land 56 stands		Manager Strategic Manager	✓	01-Jul-25	30-Jun-26	R3 600 000	
<b>BUDGET AND TREASURY</b>									
PILLAR	Status Quo	Focus Area	Key Activities	Responsibility	Timeline #	Start Date	End Date	Anticipated Measurable Outcome	Baseline
	Low payment Rate 73%	Top 200 Online Business (Debt Collection) Electricity revenue	(1) discontinuance of services, (2) fixing of network (3) audit bulk meter (4) reconciliation of bulk purchases	Revenue Manager	✓	01-Jul-25	30-Jun-26	R36 000 000	R3 000 000.00
		Debt Collection	Account Management including calls; (2) secure PTP (3) Issuing of summons (4) Blacklisting customers	Revenue Manager	✓	01-Jul-25	30-Jun-26	R12 000 000.00	R1 000 000.00
		In house Debt collection	In house Debt collection (BCHC and Ashnel)	Revenue Manager	✓	01-Jul-25	30-Jun-26	R5 200 000.00	R520 000.00
		Employee Salary Deduction	Monthly accounts deduction from salary with realistic repayment plan	Revenue Manager	✓	01-Jul-25	30-Jun-26	R1 000 000.00	R100 000.00
		Property rates	Implementation of new valuation roll	Revenue Manager	✓	01-Jul-25	30-Jun-26	R3 000 000.00	R250 000.00
		Councillors	Monthly accounts deduction from salary with realistic repayment plan	Manager Revenue	✓	01-Jul-25	30-Jun-26	R203 869.00	R20 386.90

PILLAR	Status Quo	Focus Area	Key Activities	Responsibility	Timeline #	Start Date	End Date	Anticipated Measurable Outcome	Baseline
		Revenue generated from Community Services	R refuse Collection	Manager Environment		01-Jul-25	30-Jun-26	R1 500 000.00	R125 000.00
		Revenue Generated from Fire Services	Fire Services - Inspections	Chief Fire Officer	✓	01-Jul-25	30-Jun-26	R1 600 000.00	R150 000.00
	Non collection of traffic fines issued for the contravention road regulations	Collecting of Traffic Fines	1. The municipality has a debt book on traffic fines. 2. Campaign to issue warrant of arrest to all municipal employees. 3. Work with the court judge for the collection of revenue in this area.	Executive Director Community	✓	01-Jul-25	30-Jun-26	R2 500 000.00	R250 000.00
<b>CORPORATE SERVICES</b>									
		Revenue Generation from Hiring of Facilities	Income from Rental Facilities	Executive Director Corporate Services	✓	01-Jul-25	30-Jun-26	R2 000 000.00	R200 000.00
		Revenue from selling old age homes	Revenue from old age home	Executive Director Corporate Services	✓	01-Jul-25	30-Jun-26	R13 500 000.00	R1 360 000.00
	lease Agreement to be renewed	Leasing of Municipal Properties	(1)Conclude Leases(2) Audit of all the leases if they are market related	Executive Director Corporate Services	✓	01-Jul-25	30-Jun-26		
<b>EXPENDITURE REDUCTION PLAN</b>									
					Timeline #				
PILLAR	Status Quo	Focus Area	Key Activities	Responsibility	Timeline #	Start Date	End Date	Anticipated Measurable Outcome	Baseline
	Current Percentage Contracted Services above norm of 2 - 5%	Expenditure Reduction	Identify all functions that can be done in house and work toward in sourcing of the services	All Directors		01-Jul-25	30-Jun-26	R12 200 000.00	R1 220 000.00
	Employees claiming excessive overtime.	Reduce overtime and standby allowance	Revive efficient customer care with focus on receiving and recording all community complaints and timely distribution to service delivery units for action Consistent Reporting of overtime (Weekly) Introduction of shift system	All Directors	✓	01-Jul-25	30-Jun-26	R5 000 000.00	R416 666.67
	water demand	Use of boreholes for water supply	1) Fixing of water treatment plant (2) commission of the plant	Technical service Director	✓	01-Jul-25	30-Jun-26	R2 000 000	
	water losses	faulty meters	Installation of prepaid water meter	Technical service Director	✓	01-Jul-25	30-Jun-26	R2 100 000	



**VICTOR KHANYE LOCAL MUNICIPALITY**



**REVENUE ENHANCEMENT STRATEGY**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE H**



**VICTOR KHANYE LOCAL MUNICIPALITY**

**REVENUE ENHANCEMENT STRATEGIES**

**2025/26 Financial Year**

DRAFT

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# **1. EXECUTIVE SUMMARY**

## **1.1 Background**

Victor Khanye Municipality is experiencing challenges akin to several other municipalities in the country with respect to unfunded budgets, abnormal water and electricity distribution losses, high dependency on grant funding and low debt recovery rates resulting in huge debt impairments. This has negatively affected the service delivery goals of the municipality. The Municipality is under the Municipal Debt Relief as per Circular 124 were amongst the 14 compliance issues is required to pay current accounts of Eskom and Randwater on a monthly basis. The Municipality is unable to meet Eskom, Randwater and other Creditors monthly obligations.

It is against this background that Victor Khanye Municipality has developed the Revenue Enhancement Strategies. This revenue enhancement strategy is a combination of bringing about additional revenue streams and also increasing revenue within existing revenue streams.

## **1.2 Key focus areas**

The focus areas for the revenue enhancement strategies were as follows:

- Revenue Management Strategies
- Debt Collection Strategies
- Strategies to unlock and protect Revenue
- Compliance to MFMA Circular 124- Municipal Eskom Debt Relief

## **1.3 Approach**

The following process was followed in the development of this report:

- Conduct a walkthrough of the revenue management, debt collection and customer care
- Interview officials and managers responsible for revenue, debt collection and customer care;
- Review available reports, including audit reports;
- High-level review of the Municipalities revenue management policies; and
- High-level analysis of Valuation Roll and Victor Khanye consumer information.

## **1.4 Main municipal challenges**

The municipality is facing a plethora of revenue management challenges that include billing not aligned to valuation roll, Ineffective Credit Control, inaccurate indigent register, non-cost reflective tariffs, high electrical and water distribution losses, rising fruitless and wasteful expenditure from interest due to not settling creditors within 30 days

## **1.5 Summary of proposed strategies**

The following proposed strategies are designed to enhance VKLM revenue within the period of one to two years:

- Re-introducing the “settlement incentive schemes ” with the programmes being run internally and spear headed by councillors to the communities.
- Data Cleansing to ensure ground data via GIS is aligned to system data for improved accuracy in billing
- Accelerate credit control across all areas within the Municipality’s boundaries
- Replacement of all non-functional meters with prepaid SMART meters.
- Encourage a move away from conventional meters to SMART pre-paid meters to enable the municipality to have the cash in the bank before customers even consume the services.
- A zero-tolerance approach to tampering of services/meters by having a team focused to monitoring of such offences and issuing of the applicable fines.
- Implementation of cost reflective tariffs
- Explore other sources of revenue such as sale or renting of municipal land
- Exercise strict controls over billing to ensure accurate and complete billing
- Implement electricity and water loss management strategies
- Development and implementation of UIF&W strategy

## 2. LEGISLATIVE FRAMEWORK

### 2.1 Constitution of RSA

Section of 229 the Constitution state that Municipal fiscal powers and functions.-(1) Subject to subsections (2), (3) and (4). A municipality may impose- ((l) rates on property and surcharges on fees for services provided by of the municipality. The Constitution of the Republic of South Africa, SS. 229 - 230A No. 108 of 1996 SS. 229 - 230A \*(h) state that municipality if authorised by national legislation may levy other taxes. Levies and duties appropriate to local government or to the category of local government into which that municipality falls, but no municipality may impose income tax, value-added tax, general sales tax or customs duty. The power of a municipality to impose rates on property, surcharges on fees for (a) may not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and services provided by or on behalf of the municipality, or other taxes, levies or duties may be regulated by national legislation.

### 2.2 Municipal Finance Management Act

**Section 64, subsection 1 and 3, of the MFMA** states that the accounting officer of a municipality is responsible for the management of revenue. The accounting officer must for the purposes of subsection take all reasonable to ensure:

(a) That the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy; the revenue of the municipality.

(b) That revenue due to the municipality is calculated on a monthly basis:

(c) That accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;

(d) That all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;

(e) That he municipality has and maintains a management, accounting and information system which- (i) Recognises revenue when it is earned; (ii) Accounts for debtors; and (iii) Accounts for receipts of revenue;

(f) That the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;

(g) That the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework: and

(h) That all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis. The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days

## **2.3 Municipal Systems Act**

**Section 74 of the Municipal Systems Act** states that tariff policy of a 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, the Municipal Finance Management Act and any other applicable legislation. A tariff policy must reflect at least the following principles, namely that- (a) Users of municipal services should be treated equitably in the application of tariffs

(b) The amount individual users pay for services should generally be in proportion to their use of that service;

(c) 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 or for basic levels of service; or (iii) Any other direct or indirect method of subsidisation of tariffs for poor households;

(d) Tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;

(e) Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;

(f) Provision may be made in appropriate circumstances for a surcharge on the tariff for a service;

(g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

(h) The economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;

(i) The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

## **2.4 By-laws**

A municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

By-laws in terms of subsection (1) may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas as long as such differentiation does not amount to unfair discrimination. General power to levy and recover fees, charges and tariffs.

## **2.5 Municipal Fiscal and Powers Act**

The Minister may prescribe compulsory national norms and standards for imposing municipal surcharges, which may include, amongst others, maximum municipal surcharges that may be imposed by municipalities.

The norms and standards contemplated in subsection (1) may (a) in respect of maximum municipal surcharges express the maximum municipal surcharge that may be imposed as a ratio, a percentage of the municipal base tariff or a Rand value; provide bands or ranges within which municipal surcharges may be imposed; (b) Differentiate between different – (i) kinds of municipalities, which may be defined in relation to the capacity of a municipality, a category, type or budgetary size of municipality; (ii) types of municipal services; (iii) levels of municipal services; (iv) categories of users, debtors and customers; (v) consumption levels; and (v) geographical areas; (c) Determine the basis upon and the intervals at which municipal surcharges may be increased; and (d) Determine matters that must be assessed and considered by municipalities in imposing municipal surcharges on fees.

## **3. OVERVIEW OF VKLM**

Victor Khanye Local Municipality (previously Delmas Local Municipality) is a Category B municipality strategically located within the Nkangala District in the Highveld of the Mpumalanga Province. It is situated on the border of the Gauteng Province, less than 100km from Pretoria, Johannesburg and eMalahleni. It is one of the smallest of six municipalities in the district.

The Municipality is linked by a major freeway, the N12, which was declared a Maputo Corridor. There is a railway line running through to the inner part of Mpumalanga and to Mozambique. The municipality is regarded as a gateway to the Mpumalanga Province, covering a geographic area of approximately 1,567 square kilometres. The Municipality is currently

characterized by an increase in coal mining and related activities, the mining of silica sand is also done at large scale and other important sectors in this area are agriculture, agricultural product processing, industrial and manufacturing. Natural resources make a significant and direct contribution to the Municipalities economy.

According to Stats SA's Census 2022, Victor Khanye Local Municipality makes up 6,7% of the total population of the Nkangala District Municipality, with a total population of 106 149 in 2022, an increase from the 75 452 reported in 2011. The population of Victor Khanye Local Municipality has grown significantly between the period 2011 and 2022, this marked a population increase, which is an average of 3 069 people per annum over a period of 11 years. The 2022 Census Data from Stats SA shows that, during the release of the figures, Victor Khanye Local Municipality was found to account for 33 786 of the households. The census also revealed that Victor Khanye has a reported number of 3 154 indigent households. The indigent support beneficiaries in terms of water, electricity, sewerage and sanitation as well as solid waste management.

The census also noted that VKLM unemployment rate is be 40.7%

## **4. SOURCES OF VICTOR KHANYE LOCAL MUNICIPALITY REVENUE**

### **4.1 Property rates**

Property rates Municipal property rates are a tax levied on the market value of properties within the municipality's jurisdiction. Property rates must be determined in terms of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) (MPRA). The MPRA provides for municipalities to adopt a Rates Policy that is consistent with the provisions of the Act, for the levying of property tax on all rateable properties within its area of jurisdiction. Furthermore, municipalities must pass a by-law and publish it in the provincial gazette; this gives effect or legalises the levying of property rates by the municipality. The municipality's budget finalisation process must include passing a resolution for the levying of property rates per category of property; this resolution must be promulgated in the provincial gazette upon ratification of the budget decisions. Failure to comply with this promulgation process may render the cent in the Rand unenforceable for a particular financial year; and consequently uncollectable thereby posing a significant risk to the municipality's financial sustainability.

## 4.2 Trading Services

Section 75A of the Municipal Systems Act allows municipalities to levy and recover fees, charges or tariffs in respect of municipal service delivery functions and to recover collection charges and interest on outstanding amounts.

Furthermore, section 75 of the Act, makes it a necessity for municipalities to adopt by-laws to give effect to the implementation and enforcement of their tariff policies.

VKLM trading services is categorised into the following categories:

- Sales of Electricity
- Sales of Water and Sanitation
- Sales of Refuse
- Other

## 4.3 National and Provincial Government Grants

Section 216 of the Constitution provides for national government to transfer resources to municipalities in terms of the annual Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. These allocations are announced annually in the national budget. Transfers to municipalities from national government are supplemented with transfers from provincial government. Furthermore, funding is also channelled from district municipalities to local municipalities.

**Equitable share** allocations are intended to supplement municipal own revenue that is derived from trading services and property rates. While municipalities may use their equitable share allocation at their discretion it is primarily intended to fund free basic services. Where the municipality's Operating Statement of Financial Performance does not generate a surplus the consequence is that there will be no 'own funding' to finance the road infrastructure. However, if the municipality has cash backed reserves from previous financial years, that is, if surpluses were generated on the Operating Statement of Financial Performance during previous years, there may be 'own funding' available.

**Capital Grants : The Municipal Infrastructure Grant (MIG)** is specifically allocated for the eradication of infrastructure backlogs and Mining Town Grant for upgrading of municipalities situated in areas where mines operate.

## 4.4 Borrowing

VKLM may also borrow money to fund for their capital budget however this is dependent on the strength of their Statement of Financial Position (Balance Sheet) and their ability to repay

the associated finance charges. Funds derived from borrowing should only be utilised to finance infrastructure that is economically beneficial and generates revenue for the municipality. National government makes capital transfers to municipalities and these transfers are targeted at specific capital projects.

#### **4.5 Donations**

Another source of funding may be in the form of public contributions and donations where external sources provide money to a municipality

### **5. REVENUE MANAGEMENT ENHANCEMENT STRATEGIES**

As indicated by AGSA during the audit of 2023/24 financial year the average number of days taken for the municipality to receive payment from its debtors for services rendered by the municipality is 54 days (2023: 128 days). This directly impact the municipality's cash flows impeding its ability to provide adequate service delivery for the constituents of the municipality. AGSA also noted that the debtor's impairment provision has deteriorated from the prior year increasing from 74% to 90%, and this indicates that the municipality's credit control systems are failing to collect the amounts due.

Revenue Management comprises of the following functions:

- Billing & Invoicing - Generating and issuing bills for property rates, utilities (water, electricity, sanitation, and waste management), and other municipal services.
- Revenue Collection - Collecting payments from residents and businesses for municipal services, including online payments, direct deposits, and in-person transactions.
- Debt Management & Credit Control - Implementing measures to recover unpaid debts, issuing notices, negotiating payment arrangements, and enforcing credit control policies (e.g. service disconnections).
- Customer Service & Enquiries - Customer Service and Enquiries – Assisting residents with billing disputes, account queries, and payment arrangements.
- Valuation & Property Rates Management – Maintaining the municipal valuation roll, determining property rates, and updating property ownership records.
- Tariff Setting & Revenue Planning – Developing and reviewing tariffs for municipal services based on economic factors and budgetary needs

Assessment of processes and controls over revenue and accounts receivable we noted the following:

- (i) Lack of adequate business process for revenue management (from account opening to billing);
- (ii) Inappropriate tariff structures;
- (iii) The municipality customer and billing data needs to be cleansed;
- (iv) Non- monitoring of service providers contracted for revenue generating activities, e.g.-  
The latest valuation roll may not be accurate;
- (v) Inadequate business processes - The municipality does not have a process to identify and follow up all unmetered usage of water which could result in loss of revenue;
- (vi) Inadequate business processes to curb distribution losses which are increasing unabated resulting in material loss of revenue;
- (vii) The municipality does not adequately calculate the cost actual services delivery;
- (viii) Indigent register is not adequately updated;
- (ix) Lack of delivery of service which are actually billed by the municipality;

### **5.1 Development of SOPs/Procedure manuals for revenue management**

The standard operating procedures are beneficial and help document what needs to be done and by who and when. They can be used to improve understanding and accountability for business activities, which in turn are critical for the achievement of the organisations strategic goals. They clearly define and document the processes followed when carrying out specified business activities during the normal course operations.

### **5.2 Completeness of the valuation roll and other major revenue sources.**

This assignment will assist municipality increase the revenue by correcting the errors identified in the valuation roll including the correction through section 78 of the municipal property rates Act. The alignment between valuation roll and tariffs as well as the other key sources will be implemented in order to apply rates accurately and with the correct valuation.

### **5.3 Regular update of Valuation Roll**

The municipality must on a yearly basis update its Valuation roll through supplementary valuation roll so as to take into consideration changes arising through new properties, Subdivisions, Zoning etc.

## 5.4 Revenue By-Laws

The Municipal Revenue by-laws are formulated and gazetted to give proper effect to the Municipality's policies on:

- Tariffs
- Credit Control and Debt collection
- Indigence Management

The Municipal Revenue By-Laws must be read in Conjunction with the approved Municipal Policies and within applicable provisions of the following legislation: I. Local Government: Municipal System Act No.32 of 2000 II. Local Government: Municipal Finance Management Act No.56 of 2003 III. Local Government: Municipal Property Rates Act No.6 of 2004 9.1.7 Acquisition of Eskom distribution Licence and application of the Licence from NERSA

## 5.5 Regular data cleansing of billing information

Critical to any revenue management function is the credibility of its billing information, it is very difficult to get customers to pay for services received if there is any doubt that the amount they have to pay may be incorrect. The ability to accurately bill for services delivered gives the municipality the confidence to implement strict credit control measures knowing that the amounts being collected are unimpeachable.

Billing information must be based on parcels of land within the jurisdiction of the municipality (hence the municipality is made of areas or parcels of land without which it ceases to exist). A high level review of the customer billing data revealed that there are major discrepancies in the data relating to property ownership, the information about who owns the land and property as registered in the deed office is severely corrupted. The only legal and credible records about land property ownership should that of the deeds office and therefore any other records are inadmissible.

A reconciliation of the debtor information has to be conducted on all information systems of the Municipality.

The information to be reconciled in the financial systems pertaining to debtors is the following:

- Names and surnames
- Identity numbers
- Addresses (Domicilium)
- Addresses (Postage)
- Erf numbers
- Meter numbers
- Cellphone numbers
- E-mail addresses where available

- Employment status

Correct debtor particulars will contribute to effective collection of outstanding amounts from debtors and for service delivery.

## **5.6 Accurate meter reading**

A meter should be read at least once in a quarter. The objective is to read all metres monthly. This will ensure that the consumer is charged for what they consume. Accurate meter reading is one of the inputs of accurate billing, and also reduces customer queries and complaints.

An investment will have to be made in new technology that facilitates remote meter reading. This will enhance the accuracy of billing.

## **5.7 Accurate billing**

A substantial portion of the Revenue of the Victor Khanye Local Municipality is derived from the delivery of services. The billing function is the principal mechanism that derives the majority of the cash flow. A successful billing process is a function of both technology and accurate data input. The technology (in the form of financial software) must have the requisite integrity to process transactions accurately.

Accurate billing is essential in order to have accurate revenue. Inaccurate billing can lead to understatement or overstatement of revenue which can lead to inaccurate budgeting with the resultant unreliable cash flow operations.

The key to successful billing relies on the software being able to provide reliable and accurate information on:-

- Accurate property information
- Accurate customer information: all customers sign contracts with the municipality for services to be delivered to the property on which they are registering.
- Accurate tariffs associated to the properties, which can be done through various variables, including land usage, debtor type, land zoning, and service type;
- Accurate ward information per property; and

- Flexibility to meet the municipality's reporting needs.

Water and electricity are metered services. The accuracy of billing these services is dependent on accurate meter reading. Meter reading has to be done at least once a month to ensure accurate rendition of accounts to the consumers.

Where there is prepaid consumptions of services, controls must be implemented to curtail illegal consumption and loss of revenue.

Refuse removal and sewerage tariffs are based on standard usage and fixed tariffs.

It is of critical importance that consumer information is correctly captured in the financial system so that correct revenue is billed and collected.

## **5.8 Replacement of meters to address inaccurate billing.**

The consumption by some consumers is estimated because of faulty meters. Faulty meters contribute to under or over billing with the resultant incorrect revenue being billed. Debtors will always argue for a lesser amount payable which results in revenue losses.

The replacement of meters is technical competency which must be monitored by both the Technical Department and the Finance Department.

A meter replacement project plan must be developed and implemented to address the replacement of meters. This investment is one of the items that should be prioritised during the compilation of the budget, because its return will be accurate billing and the collection of correct revenue.

## **5.9 Distribution losses reduction**

Material water losses of R46,5 million (2022-2023: R42 million) were incurred, which represents 58% (2022-2023: 60%) of total water purchased. The water losses exceed the the acceptable norm of 15% to 30%.

The municipality incurred electricity losses of 40,4 million units in 2023-24 financial year (2022-2023: 33,7 million units ) which represents 37% (2022-2023: 32%) of total electricity purchased. The electricity losses exceed the norm of 7% to 10%

Excessive water losses is an indication that the municipality is not recovering the costs of supply considering the fact that the municipality does not have that much of a margin to cover for the losses.

The municipality has developed the electricity distribution loss strategy and water distribution loss strategy. Implementation of these strategies will improve billing and revenue collection.

#### **a) Water losses reduction Strategy**

In 2021, the municipality conducted a study (Development of a Non-Revenue Water Reduction Programme for Water Distribution Network at Victor Khanye Local Municipality Technical Report) that has recommendations on how the municipality can reduce the water losses. The implementation of the strategies stated in the technical report listed below will reduce the water losses of the municipality.

- (i) Field verification of existing water infrastructure
- (ii) Installation of system metering(bulk meters)
- (iii) Installation of level control valves at the reservoirs
- (iv) Establishment and design of DMAs and reconfiguration of the water distribution net work
- (v) Installation of PRVs
- (vi) Consumer meter audit
- (vii)Implementation of consumer meter installation programme
- (viii) Refurbishment and recommissioning of the existing reservoirs

The report noted that the implementation of the above strategies will result in the municipality saving water that is being lost by approximately R24.2 million per year.

The total project cost was estimated to be R67.9 million which could be financed through grants, borrowing and own funding.

#### **b) Electrical losses reduction Strategy**

**Strategies the municipality can implement are as follows:**

- **Urgently conduct a detailed investigation (meter audits) to establish basis of meter tempering and institute repair, replace, and substitute strategy.**
- **Replace all electricity Large Power Users old meters (greater than 10 years) with Automated Meter Reading (AMR)**

- Develop and implement modern communication systems such as GIS & GPS technology to enhance the speed and accuracy of information exchange between emergency services, dispatch centres, and responders.
- Roll out a program to replace all old conventional and prepaid meters with smart meters.
- Reprogram indigent meters from 40A to 20A to reduce electricity load.

## 5.10 Collection of sundry income, fines and rentals

### Sundry Income

Sundry income and fines can contribute between ten and twenty percent of the revenue of the municipality if these revenue sources are well managed.

Sundry services should at least break even when being rendered. The absorption costing method should be adopted when sundry services are rendered. This method of costing requires that all costs be covered by the tariff before the service is rendered. Where there are surpluses recovered, the surpluses should be over and above to total cost of rendering the service.

Sundry services should be paid for in advance before they are rendered. Where sundry services are rendered and the cost is debited to the municipal account, the municipal account should not be in arrears.

### Fines

Fines are imposed for non-compliance with laws, regulations and by-laws. Fines carry the possibility of imprisonment if they are not settled. Summonses and warrants of arrest should be issued when fines are not settled. This issuing of summonses and warrants for unpaid fines will ensure that collection mechanisms are in place to realise this revenue.

Regular roadblocks should be implemented for the collection of outstanding fines.

Reminders through “sms” should be sent to offenders to settle the outstanding fines.

The municipality is required to align its traffic books to the courts criminal justice system so the fines issued may not be considered invalid

In addition it is important that the performance of the traffic officers be included in the performance agreements(KPIs) so they can meet set targets in terms of issuing fines.

## **Fire Services**

The municipality is a fire service authority which is usually an unfunded mandate. The equitable share allocation for fire services is unable to cover all the costs to ensure the fire services function at optimum levels. The fire services has however designed revenue enhancement strategies that may reduce the unfunded budget. These are:

- Offering of permits for dangerous goods transportation. This service can bring at least R120 000 per month.
- Enforcement of fire services by-laws. The municipality allows water to be taken from the fire hydrants for other purposes other than fire services.
- Escorts for events and funeral services at a fee.

The municipality can explore the possibility of receiving a conditional grant from the National Treasury to cover for capital and operational fire services expenditures

## **Rentals**

Rentals of municipal properties and facilities happen as a result of a contractual arrangements between the municipality and third parties. The use of any property of facility of the municipality must be covered by an agreement. Billing must be done in terms of the agreement concluded with third parties.

Where the lessee defaults on the arrangement with the municipality, normal credit control actions has to be instituted. The use of municipal properties and facilities cannot happen without payment, unless it is approved by someone who has authority to do so or the Council.

## **6. CREDIT CONTROL STRATEGIES**

The Municipality need to develop an efficient debt collection strategy in order to recover debts that are 90 days older. Capacitating of Credit Control Section is also vital, and putting in place systems that are user friendly for Credit Control and Debt Management Process. Poor Credit and Debt Management is mainly due to the systems that are not in line with Credit Control and Debt Management processes and procedures. This strategy will ensure that municipality protect its limited revenue. Free basic services is defined as the minimum amount of basic levels of service, provided on day to day basis, sufficient to cover or cater for the basic need of poor households.

## 6.1 Review of Credit Control Policy

The credit control policy must provide a framework, within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection, use innovative, cost effective, efficient and appropriate methods to collect all debt in the shortest possible time without any interference in the process: and effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy .

The credit policy should be reviewed and updated annually so as to take into consideration changes in legislation, standards and norms.

Budget circular 129 requires the municipality to include the following in the credit policy. Review of credit control policy to include raising of consumer deposits

1. Consumer deposits must be equal or more than two months bulk accounts from water services and Eskom
2. Electricity and water by-laws should not include the authority to raise consumer deposits as this is now a credit control policy issue.

MFMA Circular 124 requires the following amendments to be made to the credit control policy as outlined by condition 6.6, Electricity and Water as collection tools: The Municipality must demonstrate through its by-laws and budget related policies that:

6.1 The municipality issues a monthly consolidated bill to all consumers in terms of which partial payment is first allocated to property rates, thereafter to water, waste water, refuse removal and lastly electricity.

6.2 The municipality is cutting electricity services and or blocking the purchasing of prepaid electricity of an defaulting consumer/property owner unless the defaulter is already registered as an indigent consumer with the municipality.

6.3 The municipality is restricting and or limiting supply of water of any defaulting consumer/property owner unless the defaulter is already registered as an indigent consumer with the municipality.

6.4 If the defaulting property consumer/property owner is registered as an indigent consumer with the municipality the monthly supply must be physically restricted to the monthly national basic free electricity and water limits of 50 kilowatts and 6 kilolitres respectively.

## **6.2 Develop procedure manual for credit control**

The procedure manuals help the municipality to document what needs to be done and by who and when, it can be used to improve understanding and accountability for business activities, which in turn are critical for the achievement of the municipality strategic goals developed a procedure manual for Credit control and Debt collection. The objective of the manual is to equip staff and managers with the correct procedures when dealing with issues of credit control and debt collection. The processes and activities documented in this manual are for those involved in the Credit Control and Debt Collection sub-processes.

## **6.3 Implement credit control processes**

The amounts owed by the municipal customers should be classified per type of services which are owed and also the type of consumers owing and devise an appropriate strategy according to the debt type or classification; taking into account the application of sound indigent policies that the municipality will adopt, the revenue collection rate should be stretched to a target of 85% within the next two years. The debt age analysis will be extracted from financial system on a monthly basis and analysed per type debtor type, location, amount due and background, Debtors owing beyond 60 days will be contacted for arrangements; Implementation of the cut-off procedure as a debt collection measure and Follow Up on debtors who have not paid since cutoff for further action. The top 100 debtors will be targeted for intensified debtor's collection.

## **6.4 Collect from organs of state**

A significant portion of VKLM debtors is made up of organs of state i.e. National and provincial departments and state owned entities. The municipality will leverage its close relationship with national and provincial departments through COGTA in the province and COGTA national and also Provincial and National Treasury to collect monies owed by the organs of state through the IGR processes.

## **6.5 Collect from municipal councillors and ward committee members**

Councillors and ward committee members are the elected leaders of the municipality and they a leadership role in the communities that elected them, this leadership role requires them to set the tone for all the residence and business they represent. All councillors who are in

arrears with their accounts are to make arrangements for a reasonable and acceptable amount to be deducted from their monthly salary to go towards settling their debts. The progress in this regards must be monitored monthly by the revenue management function of the municipality.

## **6.6 Collect from municipal employees**

The employees of VKLM must be part of the solution towards changing the culture of non-payment. The Municipal Systems Act states that no municipal official should be in arrears on their municipal accounts for a period longer than three months therefore it is not desirable for municipal officials to have accounts which are long overdue as this give the wrong impression to the community at large and contributes to the culture of non-payment.

As with the councillors, all municipal employees owing the municipality are to make arrangements for a reasonable and acceptable amount to be deducted from their monthly salary to go towards settling their debts.

## **6.7 Collect from businesses**

The municipality must prioritise businesses and implement targeted debt collection measures for those business within the borders of the municipality .The debtor's book must be stratified to identify top 100 businesses owing the municipality and also perform a verification of properties being use for businesses but registered under other categories so they can be licenced and correct tariffs are charged. Those businesses owing big amounts must be targeted first for intensive debt collection which may include sight visits and inspections, while notices and telephone calls could be made for the rest. Furthermore the municipality must use the processes for the renewal of business licenses as a credit control measures to collect monies owed by business such that no business licence should be renewed where a municipal accounts is not up to date. Tough credit control measure must complemented by a cordial relationship between the municipality and local businesses, the municipality must be accessible to the businesses to respond to their queries and ensure consistent service delivery, and this will in turn give it the confidence to bill and follow up on collections. Credit control officials should visit the businesses at least once every three months confirm if the clients are satisfied with the statements and bills they are receiving and clarify any misunderstandings.

The collection of overdue accounts should be handed over to an external service provider for collections and legal action where necessary. The actions and progress on the accounts handed over will be monitored by the credit control through a service level agreement to

determine if they are bearing fruits. Monthly reports are to be provided on the action taken on each business debtor and the response thereof.

## 6.8 Collect from all household debtors

The revenue collection steering committee in partnership with technical department and revenue management departments and political leadership should be established to implement effective debt collection from household debtors.

The Municipality should put in place an accurate indigent register so rebates can be applied to poor households of which mostly is in the townships of which the collection rate is less than 10% on monthly basis. The debt book of the Municipality can significantly decrease on monthly basis, as it includes those customers that cannot afford. The following processes should be affected by the municipality to collect from the household debtors:

- A list of all the top 1000 residential debtors of the municipality is to be generated on a monthly basis by the Revenue Department.
- An analysis of the debtors that are eligible for water restrictions is performed then a list will be generated and signed-off by the Assistant Manager – Revenue confirming that the debtors on the list are indeed eligible for water restrictions.
- The signed water restrictions list is then taken to Technical Services before for execution. The list will then be handed over to the Technical Services to implement with a turnaround time of 30 days for implementation.
- The Technical Services will then execute the water restriction on the properties of the debtors on the list. Clients with disputes as well as queries are to raise those disputes and queries with Revenue Management and not Technical Services.
- Once water restrictions are implemented revenue management is to monitor the accounts of the debtors for any changes (if outstanding balance has been paid or not). Debtors can arrange payments with the Manager - Revenue and no other official.
- All arrangements and upliftment of water restrictions are to be signed off by the Manager - Revenue.
- From month to month there must be an analysis and review of the debt book to monitor the financial impact of the water restrictions as to. The preferred outcome is that payments are to be made in order to reduce the debt book as well as distribution losses incurred by the municipality.
- Debtors' accounts are essential in order to detect and monitor the success of the intensified collection mechanism. If during the follow-up process there are incidents'

of payments not being made and no arrangements are being made, however there is still consumption, technical can go investigate for possible tempers.

## 6.9 Reduction of UIF&W

VKLM has in the past incurred high unauthorised, irregular, fruitless and wasteful expenditure. The high UIF&W is an indication that the municipality has not taken reasonable steps to prevent UIF&W expenditure though investigations were conducted on irregular and unauthorised expenditure. The municipality has not however conducted adequate investigations in order to recover wasteful expenditure.

The table below illustrates the UIF&W balances over three year period:

Description	2023/24	2022/23	2021/22
Unauthorised Expenditure	252 936 946	49 406 965	228 364 925
Irregular Expenditure	176 220 735	259 711 731	383 778 612
Fruitless and Wasteful expenditure	215 220 615	130 076 189	103 509 072

The municipality should develop and implement UIF&W reduction strategy to reduce UIF&W to zero. This will assist in increase in cashflow to the municipality and consequently achieving the funded budget.

## 7. STRATEGIES TO UNLOCK NEW SOURCES OF REVENUE

### 7.1 Audit of businesses

The municipality will generate the additional revenue from registration and renewal of business registration. An audit for all urban and non-urban businesses will be conducted and every business will be compelled to comply with the SPLUMA and building regulations before the issue of business license.

### 7.2 Install smart water and electricity meters for all users

The municipality can raise additional from water and Electrical services by installing meters in all areas which it currently servicing. If the Municipality is to continue to provide services in a

financially sustainable manner it must acquire the ability to measure the consumption for water distributed and accurately bill for it. South Africa is water scarce country and changes in weather patterns have brought severer drought which affects many areas in the country including Victor Khanye Municipality therefore the VKLM cannot continue to supply water at non-cost reflective tariffs and again not able to recover what has been billed. The ability to meter the consumption by its residents is an important tool which can be used to control water distribution, manage demand and reduce water waste by its residents and the community at large.

The installation of smart meters will allow the municipality to do the following:

- Reduce water losses by residents as residents will know that they pay for every kilo litre/kilowatt they get;
- Apply appropriate tariffs i.e. and progressive or escalating tariff can be apply at various thresholds depending on the volume of water consumed (The higher the volume the higher the tariff per kl/kw);
- Allow the municipality to reduce costs of its bulk purchases by buying less water/electricity;
- Increase revenue through the use of prepaid meters
- Immediately track tampered meters.

The procurement and installation of smart meters must be prioritised. Proposed Funding models are as follows

- **Public-private partnerships (PPPs):** A partnership between the public and private sectors to implement water services
- **Grants:** Grants from the government, development finance institutions, and infrastructure funds
- **Subordinated treasury notes or bonds:** A public sector option for funding water infrastructure
- **Public sector development entities:** State-owned enterprises that can fund water infrastructure
- **Special purpose vehicles (SPVs):** Vehicles that can house dedicated water infrastructure cash flows

### **7.3 Revenue from sale of stands**

The municipality need to identify parcels of land which can be sold individuals and property developers. The areas in which the stands are to be sold need to be proclaimed and formalised through the office of the surveyor general. The municipality has a housing backlog of 7110 houses. The Municipality can purchase land, develop and sell at a profit margin of about 10%. 600 serviced 250square meters stands can bring in revenue of at least R97 500 000 when sold at R150 000 per stand.

### **7.4 Revenue from sale of properties**

Victor Khanye Municipality has some underutilised properties which can be sold to business and in turn receives revenue from sale of the properties and receive monthly revenue from assessment rates and from services offered by the municipality.

Currently the municipality is incurring maintenance costs, salaries costs and receives revenue forgone which can be avoided through disposal of these properties.

### **7.5 Establishment of recreational properties**

The municipality can develop the open spaces it has for recreational facilities. Some of the facilities that can bring revenue to the municipality are:

- Recreational amusement parks- Recreational parks offer a variety of activities and amenities for outdoor enjoyment.
- Hosting of tournaments (football tournaments etc)
- Establishment of a resort that would attract tourist within Mpumalanga and other provinces.

### **7.6 Bill for previously unbilled services**

The municipality has not billed for certain services in certain areas where services are currently being provided. This is caused by the failure to link properties to all the tariff codes on the billing system resulting in a loss of revenue. The municipality must bill all residents and businesses who are currently enjoying its services, services delivery comes at a cost and those costs must be recouped from somewhere to enable VKLM to provide services in a financially sustainable manner. Property which were previously not billed for services must be identified and appropriate tariff codes must be allocated to them to enable the municipality to start billing for them. It should be noted however that it may be difficult to start billing for historically unbilled services as that may result in disputes which may prolong the payments for services

## **7.7 Township established/formalised**

The 2022 Census report indicates that the VKLM has informal 3 158 dwellings. Registration of Townships that have been formalised should be done with the deeds office and thereafter ownership should be transferred to the beneficiaries. This will enable the municipality to bill for property rates and also offer bulk services to these communities.

## **7.8 Unlocking of additional grants and donations**

The office of the CFO will work with the relevant departments to unlock grants which are not allocated to the municipality and those departments will have to commit on the proper and disciplined project management in order assist in spending the new grants allocated. These grants include the transversal grants, Services donations and other capital donations by PT, NT, SALGA, COGTA and other stakeholders

## **7.9 Cost reflective tariff**

The municipality currently determines the tariffs using an adjusted inflation rate across all the services offered by the municipality. During the 2023/24 financial year the services were increased by 7%. It has been noted that the municipality also charge a flat rate at the townships.

It is crucial for a Municipality to have a transparent tariff Modelling and charge cost reflective tariffs on all the services offered to the municipality. A Transparent Tariff Modelling provide a systematic process to tariff setting.

The municipality should:

- perform a cost-reflective calculation and introduce cost-reflective tariffs considering the affordability of consumers (using the NT Tariff Model).
- Cost-volume profit analysis should be performed before setting the base tariffs.
- Municipalities must maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the municipality's financial sustainability
- Cost of supply Trudy should be implemented on all services offered by the municipality starting with supply of electricity and water.

## **7.10 Capital replacement programme**

The ageing infrastructure of the municipality leads to unaccounted for water and electricity. This leads to losses of revenue.

A capital replacement programme has to be adopted to replace the ageing infrastructure. The investment in capital replacement will have the return of improved revenues because losses that cannot be accounted for will yield revenues or reduce the purchasing costs of water and electricity from bulk suppliers.

The Technical Department must quantify the replacement cost of ageing infrastructure so that provision can be made in the budgets for the replacement of the ageing infrastructure.

## **8. COMPLIANCE WITH CIRCULAR MFMA 124- ESKOM DEBT RELIEF**

Victor Khanye currently owes Eskom over R800m. Non-payment of Eskom attracts huge finance charges. In 2023, the municipality was fortunate to be approved by National Treasury to participate in the Eskom Debt relief programme as guided by MFMA Circular 124. The municipality is however required to comply with 14 conditions outlined in Circular 124 to have the write off of R727 748 967 over three years since the date of approval. The municipality has struggled to comply with these conditions averaging an overall compliance rate between 50% and 60%. The expected compliance rate is 85%.

The municipality is required to comply with the following 14 conditions on a monthly basis as set out in paragraph 6.1 to 6.14 of the MFMA Circular 124:

- 6.1 – Municipality meets all conditions for 12 consecutive months in relation to each third of debt write off, 36 consecutive months for a total Eskom Debt Write off
- 6.2- Submission of written application to NT supported by council resolution.
- 6.3 – Monthly maintenance of Eskom current account and Randwater account
- 6.4 – Table and adopt a funded MTREF
- 6.5 – The municipality must determine cost reflective tariffs
- 6.6 – Use of electricity and water as collection tools
- 6.7 – Maintenance of a minimum average quarterly collection- property rates and service charges(80-95%)
- 6.8 – The municipality must demonstrate the completeness of the revenue base
- 6.9 – Monitor and report effectively
- 6.10 – Monthly preparation and submission of compliance certificates to PT

- 6.11- Limitation of municipal powers
- 6.12 – Municipality to properly manage resources
- 6.13 – Accounting treatments- Adhere to AOG instructions
- 6.14 – NERSA licence voluntary revocation

Upon approval of the Eskom Debt relief the Municipal Manager and the council made the following commitments for monitoring and implementation of Municipal Debt relief commitments:

- (i) Defining key performance indicators(KPIs). The performance indicators were to align with the objectives and conditions of the Municipal Debt Relief:
  - Debt reduction percentage
  - Timely payment of obligations
  - Prepaid metering roll out
  - Monitoring of zero buyers
  - Loss reduction percentage
  - Online metering of the business
- (ii) Establishing a monitoring framework that outlines the monitoring process, responsibilities, and reporting structure. The municipality has developed a monitoring plan with defined roles and responsibilities of relevant stakeholders involved in the monitoring process however the plan is not effectively implemented.
- (iii) Development of monitoring tools
- (iv) Collection of data on a monthly basis, perform regular reconciliations of financial records, bank statements and debt service schedules. Verification of compliance with debt relief conditions and cross-reference against documented evidence.
- (v) Data Analysis and performance evaluation- This involves analysing of data against predefined KPIs, identifying trends, patterns and areas of concern or improvement. Evaluation of the municipal performance and progress towards meeting the debt relief conditions and preparation of reports summarising findings and share with relevant stakeholders. Currently reports are compiled by BTO and send to Provincial Treasury. Feedback by provincial treasury is centralised to BTO. These reports are not discussed by all the stakeholders who should be involved in the implementation of the Eskom Debt Relief programme.
- (vi) Scheduling of monthly meetings with relevant stakeholders to discuss the monitoring results, address challenges and identify corrective actions.

- (vii) Maintenance of comprehensive documentation of the monitoring process including data collection, analysis, and meeting minutes. Preparation of monthly reports summarising the implementation status, highlighting progress, challenges and areas requiring attention, and share these reports with relevant authorities, oversight bodies and funding institutions, as required.
- (viii) Continuously assessing the risks associated with the debt relief implementation and monitor potential issues that may impact progress.

The municipality needs to reiterate these commitments and ensure maximum possible compliance to Circular 124- Eskom debt relief in order to fully enjoy the benefits of this programme. As stated by council during the application for Eskom debt relief, the accumulated Eskom debt relief hampers the municipality's ability to provide essential services, and promote socio-economic developments. The Eskom debt relief implementation plan has been included in this Revenue Enhancement Strategies as compliance results in the municipality enjoying a write of R727 million, write off and waiving of interest which could have accrued from owing Eskom.

The municipality applied to participate in the National Treasury RT29 Transversal contract and received an approval whereby MTN will roll-out the SMART meters to the identified customers of the municipality. The RT29-2024 contract focuses on the audit and Token Identifier (TID) conversion of existing prepayment meters, alongside the supply, delivery, installation, management, and maintenance of smart metering solutions for 3 years. The urgent implementation of the RT29 will enhance the municipality billing and improve the collection rate of the municipality, however the municipality should be prepared and skills ready to manage the SMART metering process after the contract expires.

## **9. RECOMMENDATIONS**

The following actions are recommended for the different aspects of the value chain to address the above mentioned challenges;

- Develop a procedure manual or business rules for revenue management;
- Implement operations, including the SAPS, Public Safety, and Ward Councillors, to install the meters.
- Design and Implement SOPs on Indigent management policy

- Design and initiate Public Awareness Campaigns to educate communities about the dangers of illegal and unauthorised electricity connections.
- Replace all broken meters immediately.
- outreach programmes to educate the communities of the benefits of actual meter readings.
- Monthly reconciliation of manual meter readings with the billing system.
- Review customers' billing data on a regular basis to ensure completeness and accuracy (data cleansing).
- Systematic cleansing of the billing information by performing reconciliation of the billing system to the Valuation roll.
- Continuous data verification and review customers' billing date to ensure completeness and accuracy
- Review Tariff Structure;
- Compliance to all the 14 conditions of Circular 124-Eskom Debt Relief.

## **10. IMPLEMENTATION OF THE REVENUE ENHANCEMENT STRATEGIES(DETAILED PLAN)**

This Plan places significant implementation responsibility on the Municipal Manager and Chief Financial Officer.

The successful implementation of the revenue enhancement strategy is very dependent on the capacity of the municipality to control, understand, manage and monitor performance. To encourage participation and ownership, the strategy must be managed by municipal staff. The implementation responsibility should be operationalized whereby the key focus areas and activities outlined in the Revenue Enhancement Strategy should be cascaded to all relevant municipal officials and included in their performance agreement.

The strategies set out in this Plan relate to activities that must be institutionalised and performed by municipal officials as their regular tasks and who are appointed to such positions.

This Plan has an impact on labour and therefore discussions will need to be held with organised labour and the Bargaining Council to address any labour relations matters arising from the implementation of this plan.

The successful implementation of the revenue enhancement strategy will be dependent on the political buy-in from the community and councillors. Community consultation and participation is a basic right entrenched in the constitution. Council must take overall responsibility for the plan and be party to its design implementation and monitoring and take fully ownership of the plan. Without political leadership the recovery plan is destined to fail.

There is a risk that there may be further community and stakeholder challenges to aspects of the Plan, such as budget cuts and the need to increase tariffs. This risk can be managed by effective, improved communication by councillors, officials of the municipality and the community. The municipality must communicate effectively with the community on all aspects of the plan and provide regular feedback on progress to Provincial Treasury, SALGA and COGTA

## **11. ANNEXURE1: VICTOR KHANYE LOCAL MUNICIPALITY DETAILED REVENUE ENHANCEMENT STRATEGIES IMPLIMENTATION PLAN**

**VICTOR KHANYE LOCAL MUNICIPALITY**



**MAYORS COMMITMENT FOR UNFUNDED BUDGET**

**2025/2026**

**ANNUAL BUDGET**

**ANNEXURE I**



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Together for growth and development



# BUDGET ASSESSMENT 26 MAY 2025

## MAYOR'S COMMITMENT

## OVERVIEW

- ▶ Draft Budget assessment by Provincial Treasury
- ▶ Remedial for correcting unfunded budget 2024/2025
- ▶ Review Budget Funding plan 2025/2026
- ▶ Prioritisation of the Operating and Capital expenditure
- ▶ New revenue sources
- ▶ Reduction/saving on operational expenditure
- ▶ Bulk purchases updates

## DRAFT BUDGET ASSESSMENT BY PT

- ▶ The following were some of the issues raised on the Draft Budget Assessment :
  1. Debt impairment: the municipality has since included the Debt impairment on the budget and the calculation is based on collection rate per service charged R188m
  2. Employee related cost: The employee related cost have increased from R 201m in the adjustment budget to R 211m in the draft budget based on the organogram of the municipality.
  3. Capital expenditure : The municipality will consider to suspend capital project from own revenue until revenue is released from budget funding plan.

## PROJECTS FOR UNFUNDED BUDGET 2024/25

- ▶ The municipality installed 8000 meters which increased the revenue by R 1m on electricity prepaid meters.
- ▶ The procurement of 1000 DCU for Advance Metering system that will monitor illegal connection, this system include load balancing which can be implement on indigent. Full implementation will increase the municipality revenue by R 1m by 30 September 2025.
- ▶ The blocking of prepaid electricity meters for non-payment of the current account.
- ▶ 600 prepaid water meters from the non-revenue project is being installed by end of June 2025. The project address averaging on water meter reading. Increase credibility of billing.
- ▶ The municipality introduced new tariffs according to the cost of energy study, the tariffs were Large Power users which address winter tariffs only in business who are in production.

## REVIEW BUDGET FUNDING PLAN 2025/26

- ▶ The Budget Funding Plan Committee was previously only attended to by Officials from the month of June 2025, the committee is going to be chaired by the Executive Mayor and all MMC's will attend, and the said committee will sit twice a month instead of only once.
- ▶ The municipality to implement the already developed and reviewed Revenue Enhancement strategy which include resolving the distribution losses of water and electricity.
- ▶ The municipality has in place the Cash Management committee, the mandate of the committee has been extended to include assessment of contracted services critical for retention, the committee is chaired by the CFO and consists of all Senior Managers, the deputy CFO and line managers of both revenue and expenditure.
- ▶ The inclusion of the overtime reduction KPI for each head of department, with an expectation of a 5% reduction every month, which should amount to R 4 million per annum which would to the 5% norm.
- ▶ Every Head of department must also reduce fuel usage within their department by 5% month on month.

## REVIEW BUDGET FUNDING PLAN 2025/26

- ▶ Reduce the contracted services drastically to 5%, noting that the municipality's contracted services calculated in terms of the circular 71 is sitting at 13%, when categorized as contracted services vs maintenance it is 8% and 5% respectively
- ▶ The municipality has reduce the contracted services to R 80 million and the R 48 million was then properly captured as maintenance.
- ▶ The total provision for Bulk Purchase against NERSA increase 2025/26 is 11,9% against 12,75% VKLM assisted by NDM concluded the cost of energy study which indicated that the municipality was trading at a 43% loss on electricity, and accordingly NERSA approved that this shortfall must be implemented over three (03) years. Hence our increase by only 11,75% as part of that approval by NERSA.
- ▶ Indigent registration has increase to 3300 which is 9% against the total household which is 34 000
- ▶ Implementation of the debt incentive total number of participants is 363 total debt to be written off R 30 037 879.

## PRIORITISATION OF THE OPERATING AND CAPITAL EXPENDITURE

- ▶ The Cash management committee to develop the procurement plan for the municipality.
- ▶ The spending controls implementation will be in according to the procurement plan in line with the budget, controls to ensure that there are services disruptions without compromising services delivery
- ▶ Developed a detailed cash flow forecast that indicates all the standard expenses and anticipated revenue per month. The cash flow will include the detailed capital expenses and Operational expenses monitored by Cash management committee.
- ▶ Prioritised expenditure that minimise the operational disruptions and financial Penalties. This includes prioritising the payment of employees and third parties
- ▶ Prioritisation on bulk payment on weekly basis by the cash management committee.
- ▶ Freezing filling of post until the mid-year review and the municipality has improved revenue collection.
- ▶ Implementation of service delivery norms and standard operating procedures in responding to the calls out.

## NEW REVENUE SOURCES

NEW REVENUE STREAMS	ENTICIPATED REVENUE	TIMEFRAME	COMMENTS
1. Disposal of Municipal Land: 300 stands at Erf 1202 Delmas 13 stands in Delmas Ext. 36 53 stands in Eloff	R 27 500 000	31 <sup>st</sup> March 2026	The municipality has taken some of the stand for council approval in terms of disposal(53)
2. Old age home disposal	R 13 600 000	30 June 2026	The municipality is owning old age home and is considering them for disposal
3. Audit of lease agreement	R 1 000 000(per annum )	30 September 2025	Auditing of lease agreement will increase the revenue from rental as some of the rentals are not market related
4. Advance Metering Infrastructure	R 1 000 000( per month)	31 <sup>st</sup> July 2025	The AMI will assist the municipality to reduce the illegal connection and increase the revenue on prepaid electricity.
5. Debt collectors	R 1 500 000(per month)	31 <sup>st</sup> July 2025	The municipality has appointed debt collectors, for areas where Eskom supply electricity

## NEW REVENUE SOURCES

NEW REVENUE STREAMS	ANTICIPATED REVENUE	TIMEFRAME	COMMENTS
6. Kusile power station	R 2 000 000 (per month)	30 June 2025	Revaluation of Kusile Power station. The municipality is working with the Value and Eskom to conclude on the process. R 2 000 000 per month depending of the value of the property.
7. Eagle heights	R 6 000 000	15 December 2025	Special project for collection of outstanding municipal accounts payment.
8. Land use	R 500 000(per annum)	30 September 2025	The municipality has review its by laws on Land use and has been issuing fine to defaulting costumers. This exercise is aim at encouraging costumers for rezoning.
9. Refuse tariffs	R 20 000(per month)	1 <sup>st</sup> July 2025	New tariffs to address flats and rooms in township
10. Affluent Discharge	R 650 000 ( per month)	1 <sup>st</sup> July 2025	Affluent discharge for industries

## REDUCTION/SAVING ON THE OPERATIONAL EXPENDITURE

DISCRPTION OF SERVICES	REDUCTION/SAVING	TIMEFRAME	COMMENTS
1. Overtime	R 4 000 000 (per annum)	30 June 2026	Senior managers to reduce the overtime on monthly basis and part of their KPI without compromising service delivery
2. Vehicle rentals	R 600 000( per annum)	1 <sup>st</sup> July 2025	The municipality has bought vehicle and would be saving from the rentals.
3. In- house compilation on AFS	R 1 800 000(per annum)	1 <sup>st</sup> July 2025	In house compilation of AFS and the service provider appointed by the Provincial Treasury to assist the municipality for AUDITS.
4. Use of fuel by department	R 500 000( per annum)	30 June 2025	Use of the monitoring system to monitor municipal fleet and fuel usage.
5. Contracted services	R 4 000 000( per annum)	30 June 2026	Reduction of contracted services by 5% to reach the norm.
6. Water supply	R 3 500 000(per month)		On conclusion of the Debt Settlement Agreement with Rand Water ( interest on the account)

## BULK PURCHASES UPDATES

- ▶ The municipality has no signed repayment plan with Rand Water however the said repayment plan was presented to Rand Water and it is exposed to comments and signatures by the various Executives within that organization and the municipality intends to enter into a Special Purpose Vehicle (SPV) with Rand Water in the management and provision of water and sewer services, an item has already been submitted to Council, and a committee – of *municipal officials* – dealing with amongst other things the legal imperatives, operational and financial outcomes as well as benchmarking with a municipality that has implemented the SPV has already been appointed.
- ▶ The municipality has been engaging with Eskom as well with the view of entering into the DAA Implementation Proposal, the same committee dealing with the Rand Water SPV engagement is also dealing with this co-management envisaged process of electricity.

## 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 which 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 (5) 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 31<sup>st</sup> 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.

**Circular 124 of MFMA**

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# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

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## BUDGET & TREASURY OFFICE

### QUALITY CERTIFICATE

I, **TM MASHABELA** the Municipal Manager of Victor Khanye Local Municipality, hereby certify that the Final 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 annual budget and supporting documents are consistent with the Development Plan of the Municipality.

INITIALS AND SURNAME ..... *T. M. MASHABELA* .....

MUNICIPAL MANAGER OF VICTOR KHANYE LOCAL MUNICIPALITY MP311

SIGNATURE ..... *[Handwritten Signature]* .....

DATE *28/05/2025* .....