

UMUZIWABANTU MUNICIPALITY

ANNUAL BUDGET



2012/2013 TO 2014/2015 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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**UMUZIWABANTU MUNICIPALITY
BUDGET 2012/2013**

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PART 1 – ANNUAL BUDGET

1.1 MAYOR'S REPORT

**Honourable Speaker, Councillors, Municipal Manager and officials,
Members of the public and all present here today**

As I present the Draft MTREF budget for the financial year of 2012/2013, we have to be mindful of the progress we have recorded, the goals we have set for ourselves and the context we are working in as a local municipality – as all of these factors have influenced what we are putting on the table today. At a time like this we therefore have to look back on what the municipality has achieved in its 18 years of democracy, where we have fallen short and where we still need to make improvements. Having said that, I am sure that all of us as a collective can say with one voice that we are proud of our past service delivery record and confident of the future and —working together we can do more.

Honourable speaker and Councillors, most of our delivery effort over the past years has been focussed on infrastructure development for the provision of free basic services as well as operation and maintenance support. We have also put a lot of effort into institutional and administrative reforms, developmental issues (HIV/Aids and Social responsibility), governance and financial reforms and we are having a functional shared audit service for the district.

The budget I am tabling to Council for notification has gone through the following process:

As required by law;

- I have tabled to Council an IDP and a Budget Process Plan in August 2011.
- As we all know that every new council must prepare an IDP for their term of office Almost, simultaneously in the district the IDP review process was rolled out with the participation of all the wards within the municipality, in order to review needs, assess delivery and prioritise still existing or new areas for development and service delivery which have been incorporated in the Draft MTREF budget.
- Our process has been very much in line with national priorities and show that we are not misdirected in terms of our priority areas.

I would now therefore like to take you through a more detailed presentation of how we propose to invest the funds that have been entrusted to us. I want to remind all of us here that this draft budget is linked to our 5 key performance areas as agreed to during our IDP review process.

The municipality will today adopt the draft budget totalling R109, 2 million (including depreciation) broken down between;

- The operations budget R85.5 m sharing 78 % of the budget, and
- The Capital Budget R23.7 m sharing 22% a total budget.

Honorable Speaker, in order to meet the continuing challenge of infrastructure provision, the municipality earmarked 50% Miscellaneous, Depreciation 6 percent, Repairs and maintenance 5 percent of the Operating Budget. Rates excluding Electricity are expected to drop by 1 percent from 12 percent (to 11 percent (9.2). Electricity is expected to increase by 11.03 percent, refuse by 5 percent and other income by 5 percent. In order to prevent slow or non-implementation of infrastructure grants, Council will monitor closely expenditure in this area and strictly enforce our policies on this matter. In addition to our huge investment in infrastructure, it is a serious cause of concern that our municipality have very diminished capacity, human resource & financial, in terms of maintaining this investment that both national and provincial government is making.

We have managed to increase the public profile of the municipality through our communications and public relations through community meetings over the past years. Honourable Speaker we have to admit that though we have to achieve a number of milestones in our term of Council. We are continuously refining the budget process in order for it to be more inclusive, more responsive and much clearer. As councillors and officials we have to learn more about what is required from us and keep on engaging with it. I am also appealing to all of us to see the budget as a powerful tool for delivery and transformation and to take out some of the stress and anxiety that is still experienced. We need to be constantly aware that our mandate is to address the needs of the people in our municipality and improving their lives in the process.

Due to budgetary constraints, we have slightly trying addressing economic development in our Municipality Harding Town, and this need to be a more intense area of focus which is aligned to the guiding frame Work of the KZN PGDS (Provincial Growth and Development Strategy). We have to ensure that our programmes are aligned with National, Provincial and district priorities, whilst prioritising those most acute needs at a local level. We have to insist on the participation of national, provincial departments and district municipality in our IDP's to ensure alignment and relevance.

I want to sincerely thank all the Councillors, the Municipal Manager, the management team, officials, stakeholders, government departments and members of the public who have given input and many may still be inputting to this process.

I thank you for your attention and would like to wish the Council the best in the consultation process of the 2012/13 MTREF budget and improving the lives for all citizens of the Umuziwabantu Municipality.

I thank you

1.2

Budget resolution

1.3 BUDGET OVERVIEW: EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

When packaging this budget we had to consider a number of critical factors that have implications for us as a developmental local government. The recession experienced by the country in the prior years, rocketing oil prices, changes in interest rates, consumer price index etc. The reality is that, in as much as the recession has been declared over by economists; it will still take time before the actual cash can be in our people's pockets. This therefore means that we need to consider and be very careful when instituting tariff increases for the financial year ahead of us. In this regard we have used an across the board percentage increase of% for services offered by the municipality, guided by Circular 58 and 59 from National Treasury.

BACKGROUND TO BUDGET PROCESS

Over and above compliance with MFMA, the purpose of the 2012/2013 MTRF budget is to enable the municipality to achieve its vision and mission through the IDP which is informed by our five year programme based on community and stakeholder inputs.

Indicated below is a summary of the draft MTRF tabled to Council of Umuziwabantu Municipality on the 30 March 2012, per Department for 2012/2013. This has laid the foundation by which the strategic functions within the municipality could apply sound financial planning and management over the medium to long term. It facilitated the alignment of planning, budgeting and sustainable service delivery in line with the vision and mission of Umuziwabantu Municipality.

Budget/IDP Process plan was adopted by council end of 31 August 2011; the outcome of the process plan was an understanding and commitment by all stakeholders on the process to be followed in the reviewing of the Vision, Mission, IDP as well as formulating the budget. The mechanism through which the needs of the municipality are identified and priorities set is the IDP. The Capital budget is then accordingly allocated to the higher priorities of the IDP.

The budget preparation process is guided by the following legislative requirements

- MFMA
- Municipal Structures Act and
- Municipal Systems Act
- Municipal Budget and Reporting Regulations

The following principles were applied in formulating the MTRF Capital budget

- The 2011/2012 capital budget approved in the previous years MTRF has been used as the base

- Budget must be aligned to the IDP
- All grant funding had to be verified

During the prioritization process the capital budget, the impact of Capital project on future operations was assessed.

Both the operating and capital budgets have been evaluated through a prioritization mechanism that ensures alignment to the development strategy of the municipality.

MTRF OUTLOOK 2012/2013

Capital Budget

The capital budget is directly informed by the needs submitted by the community through the IDP process. The Capital spending is projected to reduce from R34 322 996 mil 2011/2012 to R 23 754 419 Mil 2012/2013

Funding of Capital Budget

	<u>2011/2012</u> <u>RM</u>
Total Capital Budget <u>Funded as follows</u>	<u>23 754 912.00</u>
Housing	1 000 000,00
MIG	18 351 000.00
SMALL TOWN REHABILITATION	600 000.00
EQUITABLE SHARE	3 788 912.00
FMG	15 000.00

Operating Budget

The operating budget, which deals with the day to day operations of the municipality to ensure delivery of services to the communities, increased from R82 013 265.00 to R85 537 693.00 the growth is mainly attributed to

- Cost of addressing service delivery backlogs
- Cost of bulk purchases for Electricity
- Repairs and Maintenance of Infrastructure and Assets
- Employee related cost resulting from filling of vacancies and the provision for salary increases

Funding of Operating Budget

Income	AMOUNT	%
Assessment Rates	9 004 173.00	11
Service Charges (Include electricity)	24 139 104.00	28
Fines, Licenses and Permits	2 778 318.00	3
Grants & Subsidies	42 947 088.00	50
Interest on Investments	2 904 227.00	3
Penalties and Collection Charges	115500.00	0.13
Other Income	3 649 283.00	7.87
TOTAL	85 537 693.00	100

Grant Allocations

Grant	2012/2013 AMOUNT	2013/2014 AMOUNT	2014/2015 AMOUNT
Equitable Share	43 500 000.00	46 725 000.00	50 723 000.00
Finance Management Grant	1 500 000.00	1 750 000.00	1 750 000.00
MSIG	800 000.00	900 00.00	950 000.00
MIG	18 351 000.00	19 358 000.00	20 477 000.00
Library service grant	351 000.00	625 000.00	

Budget Analysis

Miscellaneous 50 percent, Depreciation 6 percent, Repairs and maintenance 5 percent of the Operating Budget. Rates excluding Electricity are expected to drop by 1 percent from 12 percent (to 11 percent (9.2)). Electricity is expected to increase by 11.03 percent, refuse by 5 percent and other income by 5 percent.

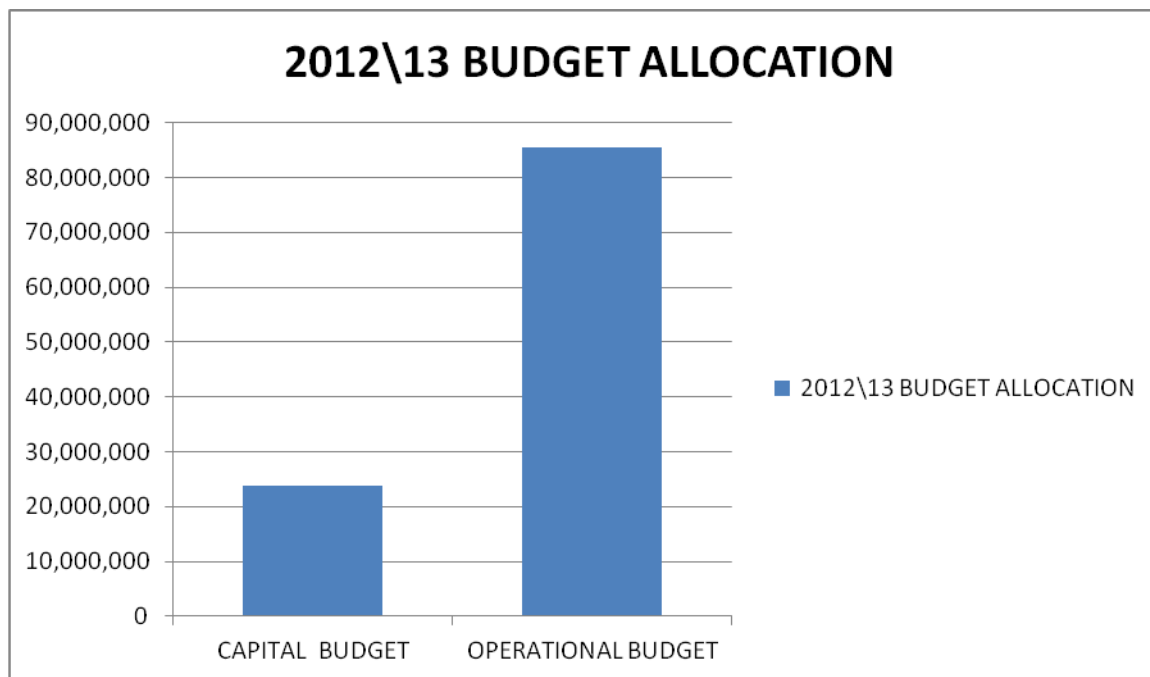
1.4 OPERATING REVENUE FRAMEWORK

REVENUE

The total draft budget amounts to R109 mil this income is derived mainly from government Grants & Subsidies (i.e MIG & Equitable Share), Interest on Investments and own sources. This has been allocated as follows to the operational and capital budget;

- Operational Budget R 85,6 Mil
- Capital Budget R 23,8 Mil

Table 1: OPERATIONAL VS EXPENDITURE

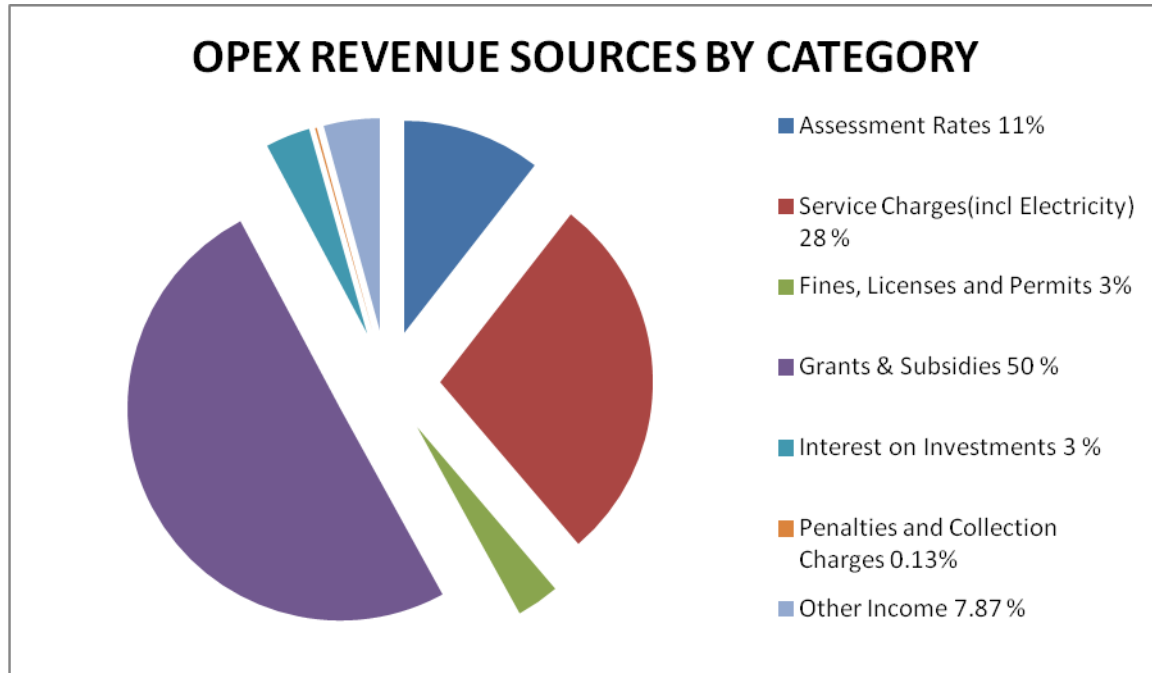


1.6 CAPITAL EXPENDITURE

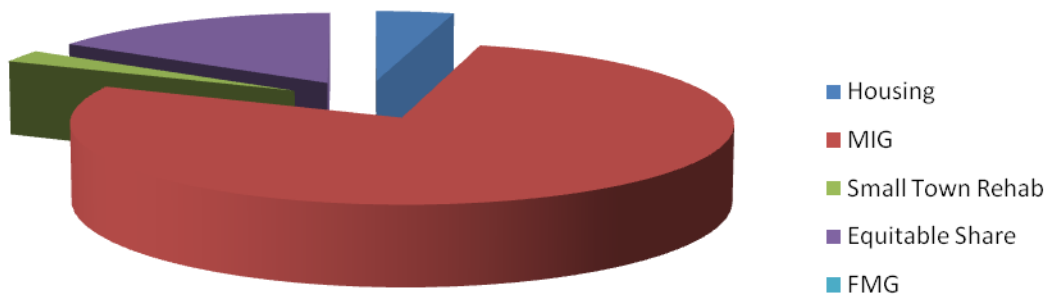
KZN214 uMuziwabantu - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description	Ref	Budget Year 2012/13												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Multi-year expenditure to be appropriated	1															
Vote 1 - EXECUTIVE & COUNCIL					25								-	25	30	-
Vote 2 - BUDGET AND TREASURY			25										-	25	70	40
Vote 3 - CORPORATE SERVICES							45						-	45	311	221
Vote 4 - TECHNICAL SERVICES		4 100	1 200	1 986	698	1 567	2 000	2 410	4 501	2 141	301	1 201	1 557	23 660	31 718	29 784
Vote 5 - OTHER													-	-	-	-
Vote 6 - CLINIC													-	-	-	-
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
Capital multi-year expenditure sub-total	2	4 100	1 225	1 986	723	1 567	2 045	2 410	4 501	2 141	301	1 201	1 557	23 755	32 129	30 045

Chart 2: 2012-2013 MTREF Budget Summary



2012-2013 CAPEX REVENUE SOURCES



TARRIF OF CHARGES FOR 2012/2013

		2011/2012 (Excl Vat)	2012/2013 (Excl Vat)
1. HALLS			
1.1	General Functions including weddings, concerts, contests, dances, exhibitions, tournaments	R 1 156.10	R 1 213.91
1.2	Rural Halls	R 0.00	R 0.00
1.3	Use of Kitchen	R 375.34	R 394.11
1.4	Small Hall	R 563.45	R 591.62
1.5	Any Other	R 375.34	R 394.11
1.6	Deposit – Town Hall	R 1 877.38	R 1 971.24
1.7	Deposit – Rural Halls	R 0.00	R 0.00
1.8	Deposit – Small Hall	R 1 126.43	R 1 182.75
1.9	HALL HIRE – AFTER HOUR USEAGE FEES (9:00–22:00) / PER HOUR	R 100.00	R 105.00
1.10	STORAGE FEES / PER DAY	R 50.00	R 52.50
2. MUNICIPAL GROUNDS			
2.1	Non –Profit Organisation	R 173.30	R 181.96
2.2	Profit – Organisation	R 433.24	R 454.90
2.3	Deposit	R 721.83	R 757.92
3. MUNICIPAL CEMETRIES			
3.1	Grave Lot plus burial fee (Adult)	R 1 227.52	R 1 288.90
3.2	Grave Lot plus burial fee (Child<12)	R 675.15	R 708.90
3.3	Grave Reservation	R 1 227.52	R 1 288.90
3.4	Opening of grave for exhumation	R 2 216.75	R 2 327.59
4. MISCELLANEOUS SERVICES			
4.1	Search fee per account, documents' or file produced for inspection or duplicate accounts made out	R 0.00	R 0.00
4.2	Certified copy of extract from Council's minutes and or hearing per page	R 0.00	R 0.00

4.3	Rates Clearance Certificate	R 110.00	R 115.50
4.4	By laws or Policies per copy	R 0.00	R 0.00
	Extracts per page	R 0.00	R 0.00
4.5	Valuation Roll	R 605.00	R 635.25
4.6	Clearing of Vacant Plots	R 0.00	R 0.00
4.7	Fine for tampering with electricity	R 2 500.00	R 2 625.00
4.8	Business licence	R 0.00	R 228.00
4.9	Duplicate Licence	R 0.00	R 50.00
4.10	Informal Traders		R 100.00
4.11	Fine for not possessing business licence		R 1 000.00
4.12	Cumulative transgression per day		R 10.00
6. REFUSE			
6.1	Domestic	R 49.84	R 53.58
6.2	Domestic additional clearance	R 72.50	R 77.94
6.3	Commercial – Small business	R 142.27	R 152.94
6.4	Commercial – Office premises	R 142.27	R 152.94
6.5	Commercial – Large business	R 684.30	R 735.62
6.6	Additional clearance(Commercial)	R 177.59	R 190.91
6.7	Industrial premises	R 568.24	R 610.86
6.8	Additional clearance (Industrials)	R 177.59	R 190.91
6.9	Government Properties(Schools, PO,SAP,SAR)	R 552.38	R 593.80
6.1	Additional Clearance (Gov prop)	R 172.63	R 185.58
6.11	St Andrews Hospital	R 1 026.74	R 1 103.75
6.12	Additional clearance (Hospital)	R 207.24	R 222.79
6.13	Churches	R 34.61	R 37.21
6.14	Sport Clubs		
6.15	To dump Domestic refuse at site	R 45.00	R 48.38
6.16	To dump Commercial refuse at site	R 100.00	R 107.50
7	TOWN PLANNING		
7.1	Erecting a building prior to local authority's approval	R110 per day Maximum of R1650	R110 per day Maximum of R1650

7.2	Failing to comply with notice prohibiting erection of a building	R110 per day Maximum of R1650	R110 per day Maximum of R1650
7.3	Occupying a building prior to issue of certificate by local authority	R 1 210.00	R 1 270.50
7.4	Hinders or obstructs any building officer etc	R 1 815.00	R 1 905.75
7.5	Failing to maintain any mechanical equipment or service installation in connection with a building condition	R 605.00	R 635.25
7.6	Failing to comply with Notice to comply with Regulation	R 1 815.00	R 1 905.75
7.7	Failing to comply with Notice to Evacuate Building	R 605.00	R 635.25
7.8	Perform trade of plumbing without being trained plumber, etc	R 605.00	R 635.25
7.9	Carry out of plumbing work by a person other than a trained plumber , or exempted person	R 605.00	R 635.25
7.1	Trained plumber causes or permits non trained plumber to practice the trade of plumbing etc.	R 605.00	R 635.25
7.11	No notice given of intension to erect or demolish a building	R 605.00	R 635.25
7.12	No notice given that trenches/ drains are ready for INSPECTIONS	R 605.00	R 635.25
7.13	Construction of foundation before approval of trenches and excavations	R 1 210.00	R 1 270.50
7.14	Owner backfills or enclose drainage installation before inspection, testing and approval	R 605.00	R 635.25
7.15	Using of building for purpose other than the purpose which causes in the class of occupancy	R 1 815.00	R 1 905.75
7.16	Deviates from approved plan	R907,R1210, R 1815	R952,R1270, R 1906
7.17	Fails to cease work after notification of Council to do so	R 1 815.00	R 1 905.75

7.18	Fails to comply with Notice to Erect building in accordance with regulation	R 605.00	R 635.25
7.19	Failing to provide protection of the edge of any balcony , bridge , flat roof or similar place	R 907.50	R 952.88
7.2	Access to swimming pool not controlled	R 907.50	R 952.88
7.21	Demolishing a building without permission from Local Authority	R 1 210.00	R 1 270.50
7.22	Leaving a building in cause of demolition in a state dangerous to the public or any adjoining property	R 1 815.00	R 1 905.75
7.23	Fail to erect a fence , hoarding or barricade	R907,R1210	R952,R1270,
7.24	Fail to confine any work of erection or demolition within boundaries of site	R 0.00	R 0.00
7.25	Construct any pit latrine without the permission of Local Authority	R 605.00	R 635.25
7.26	Fail to provide sufficient fire extinguishers, etc	R 1 210.00	R 1 270.50
7.27	Cause or permit any escape route to be rendered less effective, etc	R 1 210.00	R 1 270.50
7.28	Special consent	R 363.00	R 381.15
7.29	Subdivision of land	R 363.00	R 381.15
7.3	Amendment to existing subdivision	R 0.00	R 0.00
7.31	Rezoning	R 363.00	R 381.15
7.32	Fail to observe conditions imposed to local authority	R 605.00	R 635.25
7.33	Fail to limit dust arising from work etc.	R 605.00	R 635.25
7.34	Carry on any activity etc. During periods which may disturb etc.	R 907.50	R 952.88
7.35	Failing to comply with a notice to cut into or lay open work or to carry out tests.	R 605.00	R 635.25
7.36	Failing to comply with a notice to remove rubble, rubbish and/or debris from a building site	R 605.00	R 635.25
7.37	Failing to comply with a notice to remove surplus material and matter from the site or land or public street or arising from building or demolition work	R 605.00	R 635.25

7.38	Erecting or demolishing a building without proving sanitary facilities for employees	R 605.00	R 635.25
7.39	Fail to maintain open exaction in a safe condition	R 1 815.00	R 1 905.75
7.4	Fail to provide drainage installation	R 605.00	R 635.25
7.41	Fail to lay, alter or extend any drain etc	R 1 815.00	R 1 905.75
7.42	Permit sewage to enter any street	R 1 815.00	R 1 905.75
7.43	Permit sewage to enter any river etc	R 1 815.00	R 1 905.75
7.44	Cause or permit storm water to enter any drainage installation on any site.	R 605.00	R 635.25
7.45	Discharge or cause discharge of any water from a swimming pool etc. Or any public street etc.	R 605.00	R 635.25
7.46	Construct an installation contemplated in regulation P4.1 (liquid or solid matter requiring treatment/storage)	R 1 210.00	R 1 270.50
		R 0.00	R 0.00
7.47	Fail to seal opening to pipe or drain etc.	R 605.00	R 635.25
7.48	Fail to seal opening permanently disconnected drain.	R 605.00	R 635.25
7.49	Fail to notify the municipality of disconnecting of any drainage installation	R 605.00	R 635.25
	INDUSTRIAL/COMMERCIAL		
7.5	Interfere with any sewer or connecting sewer	R 1 210.00	R 1 270.50
7.51	Fail to seal opening to pipe or drain etc.	R 605.00	R 635.25
7.52	Fail to notify municipality of disconnecting of any drainage installation	R 605.00	R 635.25
7.53	Interfere with any sewer or connecting sewer	R 1 100.00	R 1 155.00
7.54	Break into or interfere with any drainage installation etc.	R 1 100.00	R 1 155.00
7.55	Put into use any drainage installation before inspection etc	R 1 210.00	R 1 270.50
7.56	Construct any pit latrine without the permission of the municipality	R 605.00	R 635.25
7.57	Fail to provide sufficient fire extinguishers etc	R 1 210.00	R 1 270.50

7.58	Cause or permit any escape route to be rendered less effective etc.	R 1 210.00	R 1 270.50
8	ELECTRICITY – subject to NERSA approval		
8.1	Domestic – basic charge	R 123.85	R 137.51
8.2	Domestic – consumption – (0 – 50)	R 0.63	R 0.66
	– (51 – 350)	R 0.73	R 0.82
	– (351 – 600)	R 0.95	R 1.05
	– (601 <	R 1.12	R 1.24
8.3	Office – basic charge	R 123.85	R 137.51
8.4	Office – consumption	R 0.73	R 0.82
8.5	Comm./Small power user – basic charge	R 584.54	R 649.02
8.6	Comm./Small power user – consumption	R 0.89	R 0.99
8.7	Comm./Large user(0–50) – basic charge	R 705.07	R 782.83
8.8	Comm./Large user (0–50) – consumption	R 1.15	R 1.27
8.9	Comm./Large user(51–75) – basic charge	R 1 762.41	R 1 956.81
8.1	Comm./Large user (51–75) – consumption	R 1.06	R 1.17
8.11	Comm./Large user(76–100) – basic charge	R 3 525.08	R 3 913.89
8.12	Comm./Large user (76–100) – consumption	R 1.02	R 1.13
8.13	Comm./Large user(101 < – basic charge	R 7 050.40	R 7 828.06
8.14	Comm./Large user (101 < – consumption	R 1.02	R 1.13
8.15	Prepaid Domestic	Inclining block tariff as above	
8.15	Prepaid Business	R 1.17	R 1.30
9	RATES		
9.1	Residential	0.0110	0.0100
9.2	Commercial	0.0165	0.0150
9.3	Agriculture	0.0024	0.0025
9.4	Public Service Infrastructure	0.0028	0.0025
9.4	PSI & State Owned	0.0132	0.0120
9.5	Communal Land	0.0110	0.0100
9.6	Tourism & Hospitality		0.0125
9.7	Residential– Vacant land–Impermissible		–15000
9.8	Residential– Dwelling including Impermissible		–75000
9.9	Agriculture rebate		55%

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the 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 Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Mayor, Members of the Executive Committee, Municipal Manager and senior officials of the municipality. The primary aims of the Budget Steering Committee is to ensure:-

- that the process followed to compile the budget complies with legislation and good budget practices;
- 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 municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required budget time schedule on 25 August 2011. Further to the above and in terms of MFMA Circular No.54 an amended budget process plan was also tabled in Council in February 2012.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fifth review of the IDP as adopted by Council in 2006/07. It started in September 2011 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2012/13 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2012/13 MTREF, based on the approved 2011/12 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2012/13 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 2011/12 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2012/13 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2012/13 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, household debt, migration patterns)
- Performance trends
- The approved 2011/12 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury' MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

Once the draft budget was approved by council the following community consultation process began:-

- The draft 2012/13 MTREF was published on the municipality's website;
- Hard copies were made available at all municipal offices and library;
- Notices were placed on municipal notice boards and library;
- In addition the budget was taken out to all wards by the process of Budget and IDP Imbizo's on the 10 April 2012. The applicable dates and venues were published in the South Coast Fever and East Griqualand.

- Attached hereto the minutes of the Imbizo as held on 10th April 2012

All documents in the appropriate format (electronic and printed) was provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

2.2 OVERVIEW OF THE ALIGNMENT OF THE BUDGET TO THE INTEGRATED DEVELOPMENT PLAN

The alignment of the budget to the integrated development plan is crucial in order to ensure the Effectiveness of any budget. Various internal consultative sessions were held with Councillors and Officials in order to determine the strategic priorities for the municipality in the upcoming financial year.

Both the integrated development plan and the budget has incorporated these priorities and action plans, and therefore assisted in the alignment of both the budget and the integrated development plan.

Alignment Approach

The 2012 / 2013 BUDGET/IDP Review Process Plans of the District and its Local Municipalities were prepared in line with the IDP Framework Plan of the district as agreed by all the Municipalities in the District. In 2008 the UGu District Municipality, in pursuit of the relevant legislative directives, adopted its 2010/2011 IDP Review Framework Plan to guide its process plans and consequently, the IDP process plans of both the district itself and the local municipalities within the area of its jurisdiction. This was done in consultation with the local municipalities through IDP Managers Forums, IDP Representative Forums, Steering Committees, EXCO and the Councils of the respective municipalities.

The IDP Framework Plan provides the linkage for binding relationships to be established between the district and its family of local municipalities. In so doing, proper consultation, co-ordination and alignment of the review process of the District Municipality and its various local municipalities has been maintained. The review process also seeks to incorporate any recommendations which from COGTA which serve to ensure that the 7 broad National Priorities are adequately met.

- Municipal Institutional Transformation
- Local Economic Development
- Basic Service Delivery and Infrastructure Investment
- Financial viability and Financial Management
- Good Government and Community Participation
- Spatial Development Framework

Umuziwabantu Municipality will continue to prioritize the strategic objectives of the IDP more so the income generating investment infrastructure and at the same time not compromising in addressing the service delivery infrastructure backlogs. This will be done by gradually refraining from departmental capital budgeting to prioritising income generating assets and infrastructure.

2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

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, assesses and reviews organisational 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.

2.3.1 Performance indicators and benchmarks

2.3.1.1 Liquidity

- Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain these levels.
- The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, the debt collection and credit control policy has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days.

2.3.1.3 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30days of invoice. The municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.2 Free Basic Services: basic social services package for indigent households

In terms of the municipality's Indigent and Free Basic Services Policy registered households are entitled to 50kwh of electricity and free waste removal equivalent to twice a week as well as a rebate on their property rates.

2.4 OVERVIEW OF THE BUDGET RELATED POLICIES

The budget related policies are currently under review and any comments or suggestions received during the public participation process will be considered.

Sound Financial Management and Planning remain a top priority of Umuziwabantu Municipality. Therefore the following policies have been developed or under review to ensure that a good financial steed in maintained:-

- Debt and Credit Control Policy
- Rates Policy
- Tariff Policy
- Supply Chain Management Policy
- Petty Cash Policy
- Inventory Management

2.5 BUDGETING ASSUMPTIONS

The following budget assumptions have a major influence on the annual budget:

- It will take some time for the economic upturn to flow through to increased municipal revenues and better cash flows.
- The revenue stream of the Council will stay under pressure for the next three to four quarters in 2013.
- The increased high cost to move waste from the refuse transfer stations, to the regional refuse site.
- The excessive increases in the tariffs of bulk electricity purchases in the next three budget years, are putting pressure on the Council's draft operating expenditure budget.
- The increases in property rates and other tariffs are likely to be counterproductive, resulting in higher level of non payment and increased bad debts.

The budgeting assumptions that underpin the 2012/2013 budget preparation are as follows:

Revenue

- All revenue levels were based on current and past year actual trends, and therefore resulted in a realistic revenue base and kept in line with inflation as far as possible;
- Property rates and refuse removal tariffs were decreased by 1%and increase by 7.5% respectively;
- Interest on investments was increase by 5% due to the projected increase in the revenue;

Expenditure

The following areas were targeted in terms expenditure:

- ❖ Contracted Services
- ❖ Employee related costs
- ❖ General expenses
- ❖ Repairs and maintenance was increased due to the need to maintain our existing Infrastructure
- ❖ Employee costs were budgeted at an estimated increase of 5% based on National Treasury's Guidelines (Circular 58);
- ❖ Electricity was budgeted utilizing the full year forecasted expenditure of the current year and taking in to account Eskom's tariff increase of 11.3 %.

2.6 Overview of budget funding

- As per attached table SA 10

2.6.1 Medium-term outlook: operating revenue

- As per attached table SA 25

2.6.2 Medium term outlook: capital revenue

- As per attached table SA 25

2.6.3 Cash Flow Management

As per attached table/s SA 25 to SA 30

2.6.4 Cash backed reserves/accumulated surplus reconciliation

- As per table A 8

2.6.5 Funding Compliance Measurement

- As per attached table SA 10

Expenditure on grants and reconciliations of unspent funds

- As per attached table SA 19

2.8 Councillor and employee benefits

- As per attached table SA 22

2.9 Monthly targets for revenue, expenditure and cash flow

As per attached table/s SA 25 – SA 30

2.10 Annual budgets and SDBIPs – internal departments

- As per attached Annexure C

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years - 36 months).

2.12 Capital expenditure details

- As per attached table SA 36

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003**Date of adoption:**

Council resolves in terms of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the Umuziwabantu Municipality.

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- A Umuziwabantu Municipality Code of Conduct for Supply Chain Management Practitioners and other role players
- B Supply chain management delegations in terms of the Local Government Municipal Finance Management Act No.56 of 2003 and Municipal Supply Chain Management Regulations General Notice 868

Definitions

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

“competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

“competitive bid” means a bid in terms of a competitive bidding process;

“final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

“formal written price quotation” means quotations referred to in paragraph 12 (1) (c) of this Policy;

“in the service of the state” means to be –

- (a) a member of –
 - (i) any municipal council;
 - (ii) any provincial legislature; or
 - (iii) the National Assembly or the National Council of Provinces;
- (b) a member of the board of directors of any municipal entity;
- (c) an official of any municipality or municipal entity;
- (d) an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- (e) a member of the accounting authority of any national or provincial public entity; or
- (f) an employee of Parliament or a provincial legislature;

“long term contract” means a contract with a duration period exceeding one year;

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

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

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

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;

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

“the Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

“written or verbal quotations” means quotations referred to in paragraph 12(1)(b) of this Policy.

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

Supply chain management policy

- 2.** (1) All officials and other role players in the supply chain management system of the Umuziwabantu Municipality must implement this Policy in a way that-
- (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
 - (b) is fair, equitable, transparent, competitive and cost effective;
 - (c) complies with –
 - (i) the Regulations; and

- (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
- (d) is consistent with other applicable legislation;
- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

(2) This Policy applies when the Umuziwabantu Municipality

- (a) procures goods or services;
- (b) disposes goods no longer needed;
- (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or

(3) This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including –

- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
- (b) electricity from Eskom or another public entity, another municipality or a municipal entity.

Amendment of the supply chain management policy

3. (1) The accounting officer must –

- (a) at least annually review the implementation of this Policy; and
- (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council.

(2) If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –

- (a) ensure that such proposed amendments comply with the Regulations; and
- (b) report any deviation from the model policy to the National Treasury and the relevant provincial treasury.

(3) When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

Delegation of supply chain management powers and duties

4. (1) The council hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –

- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 or 10 of the Act; and
 - (ii) This Policy;
- (b) to maximize administrative and operational efficiency in the implementation of this Policy;
- (c) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of this Policy; and
- (d) to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

(2) Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).

(3) The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the Umuziwabantu Municipality or to a committee which is not exclusively composed of officials of the Umuziwabantu Municipality.

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

Sub delegations

5. (1) The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph 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 R200 000 hundred thousand (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.
- (c) not exceeding R2 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) must within five days of the end of each month submit to the official referred to in subparagraph (4) 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) 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); 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) No supply chain management decision-making powers may be delegated to an advisor or consultant.

Oversight role of council

- 6. (1) The council reserves its right to maintain oversight over the implementation of this Policy.
- (2) For the purposes of such oversight the accounting officer must –
 - (a) (i) within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the Umuziwabantu Municipality and
 - (ii) whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council .
- (3) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.
- (4) The reports must be made public in accordance with section 21A of the Municipal Systems Act.

Supply chain management unit

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

Training of supply chain management officials

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

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

Format of supply chain management system

- 9.** This Policy provides systems for –
- (i) demand management;
 - (ii) acquisition management;
 - (iii) Logistics management;
 - (iv) Disposal management;
 - (v) Risk management; and
 - (vi) Performance management.

Part 1: Demand management

System of demand management

10. (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by Umuziwabantu Municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

- (2) The demand management system must –
- (a) include timely planning and management processes to ensure that all goods and services required by Umuziwabantu Municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) provide for the compilation of the required specifications to ensure that its needs are met.

- (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

Part 2: Acquisition management

System of acquisition management

- 11. (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
 - (a) that goods and services are procured by Umuziwabantu Municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Act;
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;and
 - (e) that any Treasury guidelines on acquisition management are properly taken into account.
- (2) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the Umuziwabantu Municipality supply chain management system, including -
 - (a) the kind of goods or services; and
 - (b) the name of the supplier.

Range of procurement processes

- 12.** (1) Goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R500 (VAT included);
 - (b) formal written price quotations for procurements of a transaction value over R500 up to R10 000 (VAT included);
 - (c) formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included) must be advertised for at least seven calendar days on the website and an official notice board of the municipality ; and
 - (d) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included) be advertised for at least fourteen calendar days on the website and newspaper .
; 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 subparagraph (1); or
 - (b) direct that –
 - (i) at least one formal written quotations be obtained for any specific procurement of a transaction value lower than R2000;
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) a competitive bidding process be followed for any specific procurement of a transaction value lower than R200 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 must as far as possible be treated and dealt with as a single transaction.

General preconditions for consideration of written quotations or bids

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

Lists of accredited prospective providers

- 14.** (1) The accounting officer must –
- (a) keep a list 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 apply for evaluation and listing as accredited prospective providers;

- (c) specify the listing criteria for accredited prospective providers; and
- (d) disallow the listing of any prospective provider whose name appears on the National Treasury's database as a person prohibited from doing business with the public sector.

(2) The list must be updated at least quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.

(3) The list must be compiled per commodity and per type of service.

Petty cash purchases

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

- (a) the director may delegate the power to authorise petty cash purchases to the senior managers
- (b) a monthly reconciliation report from the expenditure section each must provide the chief financial officer, including –
 - (i) the total amount of petty cash purchases for that month; and
 - (ii) receipts and appropriate documents for each purchase.

Written or verbal quotations

16. The conditions for the procurement of goods or services through written or verbal 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 Umuziwabantu Municipality, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (b) to the extent feasible, providers must be requested to submit 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;
- (d) the accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices; and
- (e) if a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

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 Umuziwabantu Municipality
- (b) quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this Policy;
- (b) 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
- (c) 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 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 or verbal quotations and formal written price quotations

18. The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations, is as follows:

- (a) when using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis;
- (b) all 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 an official notice board of the Umuziwabantu Municipality;
- (c) offers received must be evaluated on a comparative basis taking into account unconditional discounts;
- (d) the accounting officer or chief financial officer must on a monthly basis be notified in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a subdelegation;
- (e) offers below R30 000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price;
- (d) acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points;
- (e) The Supply Chain Manager shall ensure proper record keeping.

Competitive bids

- 19.** (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts may only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.

(2) No requirement for goods or services above an estimated transaction value of R200 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 the following stages of a competitive bidding process are as follows:

- (a) Compilation of bidding documentation as detailed in paragraph 21;
- (b) Public invitation of bids as detailed in paragraph 22;
- (c) Site meetings or briefing sessions as detailed in paragraph 22;
- (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
- (e) Evaluation of bids as detailed in paragraph 28;
- (f) Award of contracts as detailed in paragraph 29;
- (g) Administration of contracts
 - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
- (h) Proper record keeping
 - (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

Bid documentation for competitive bids

21. The criteria to which bid documentation for a competitive bidding process must comply, must –

- (a) take into account –
 - (i) the general conditions of contract and any special conditions of contract, if specified;
 - (ii) any Treasury guidelines on bid documentation; and
 - (iii) the requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
- (b) include the preference points system to be used , goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
- (c) compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted;
- (d) if the value of the transaction is expected to exceed R10 million (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 –
 - (a) for the past three years; or
 - (b) 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.

Public invitation for competitive bids

22. (1) The procedure for the invitation of competitive bids, is as follows:

- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the Umuziwabantu 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) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the Umuziwabantu 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;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) received after the closing time should not be considered and returned unopened immediately.
- (a) 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;
- (b) No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- (d) The accounting officer must —
 - (i) record in a register all 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 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) A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the accounting officer may determine:
- (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- (2) The accounting officer appoints the members of each committee, taking into account section 117 of the Act; and
- (3) A neutral or independent observer, appointed by the accounting officer, must attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- (4) The committee system must be consistent with –

- (a) paragraph 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) A bid specification committee must compile the specifications for each procurement of goods or services by the Umuziwabantu 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 Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply;
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the word “equivalent”;
 - (f) must indicate the points that may be awarded for each BBBEE contributor level in terms of the points system set out in the Preferential Procurement Regulations 2011; and
 - (g) must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.

(3) A bid specification committee must be composed of one or more officials of the Umuziwabantu Municipality preferably the manager responsible for the function involved, and may, when appropriate, include external specialist advisors.

(4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.

Bid evaluation committees

28. (1) A bid evaluation committee must –

- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27(2)(f).
- (b) evaluate each bidder's ability to execute the contract;
- (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- (d) submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

(2) A bid evaluation committee must as far as possible be composed of-

- (a) officials from departments requiring the goods or services; and
- (b) at least one supply chain management practitioner of the Umuziwabantu Municipality.

Bid adjudication committees

29. (1) A bid adjudication committee must –

- (a) consider the report and recommendations of the bid evaluation committee; and
- (b) either –
 - (i) depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award; or

- (ii) make another recommendation to the accounting officer how to proceed with the relevant procurement.
- (2) A bid adjudication committee must consist of at least four senior managers of the Umuziwabantu Municipality which must include –
- (a) the chief financial officer or, if the chief financial officer is not available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer; and
 - (b) at least one senior supply chain management practitioner who is an official of the Umuziwabantu Municipality; and
 - (c) 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.

(8) The accounting officer must comply with section 114 of the Act within 10 working days

(9) The 80/20 preference point system for the acquisition of services, works or goods up to a Rand value of R1 million.—

(1)(a) the following formula must be used to calculate the points for price in respect of tenders(including price quotations)with a Rand value equal to, or above R30 000 and up to a Rand value of R1 000 000(all applicable taxes included)—

(b) Subject to sub-regulation (3), points must be awarded to a **tenderer** for attaining the B-BBEE status level of contributor in accordance with the table below.

B-BBEE STATUS LEVEL OF CONTRIBUTOR	NUMBER OF POINTS
1	20
2	18
3	16
4	12
5	8
6	6
7	4
8	2
9	0
10	

- (10) A maximum of 20 points may be allocated in accordance with sub-regulations(2).
- (11) The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-regulations (2) must be added to the point scored for price as calculated in accordance with sub-regulation (1).
- (12) Subject to regulations 7, the contract must be awarded the tenderer scores the highest total number of points
- (13) The 90/10 preference point system for the acquisition of services, works or goods up to a Rand value above R1 million.—
- (1) the following formula must be used to calculate the points for price in respect of tenders with a Rand value above R1 000 000(all applicable taxes included)—
- 14) Award of contract to tenderers not scoring the highest number of points.-
- (1)
- A contract may be awarded to a tenderer that did not score the highest total number of points, in accordance with section 2(1)(f) Of the act.

(2) Subject to sub-regulation (3), points must be awarded to a **tenderer** for attaining the B-BBEE status level of contributor in accordance with the table below.

B-BBEE STATUS LEVEL OF CONTRIBUTOR	NUMBER OF POINTS
1	10
2	9
3	8
4	5

5	4
6	3
7	2
8	1
None compliant contributor	0

(3) A maximum of 10 points may be allocated in accordance with sub-regulations(2).

(4)The points scored by a tenderer in respect of B-BBEE contribution contemplated in sub-regulations (2) must be added to the point scored for price as calculated in accordance with sub-regulation (1).

(5) Subject to regulations 7, the contract must be awarded the tenderer scores the highest total number of points

Procurement of banking services

30. (1) A contract for banking services –

- (a) must be procured through competitive bids;
- (b) must be consistent with section 7 or 85 of the Act; and
- (c) may not be for a period of more than five years at a time.

(2) The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.

(3) The closure date for the submission of bids may not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

Procurement of IT related goods or services

- 31.** (1) The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- (2) Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- (3) The accounting officer must notify SITA together with a motivation of the IT needs if –
- (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (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 Umuziwabantu 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.

- (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.** Umuziwabantu Municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:

- Firstly – suppliers and businesses within the municipality or district;
- Secondly – suppliers and businesses within the relevant province;
- Thirdly – suppliers and businesses within the Republic.

Appointment of consultants

- 35.** (1) The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.

- (2) Consultancy services must be procured through competitive bids if
- (a) the value of the contract exceeds R200 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 Umuziwabantu Municipality.

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

36. (1) The accounting officer may –

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

- (i) in an emergency;
- (ii) if such goods or services are produced or available from a single provider only;
- (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
- (iv) acquisition of animals for zoos and/or nature and game reserves; or
- (v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and

(b) ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

(2) The accounting officer must record the reasons for any deviations in terms of subparagraphs (1)(a) and (b) of this policy and report them to the next meeting of the council and include as a note 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) The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the relevant provincial treasury for comment.
- (5) The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- (6) A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- (7) When considering the matter, the adjudication committee must take into account –
 - (a) any comments submitted by the public; and
 - (b) any written comments and recommendations of the National Treasury or the relevant provincial treasury.
- (8) If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the relevant provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- (9) Such submission must be made within seven days after the decision on the award of the unsolicited bid is taken, but no contract committing the Umuziwabantu Municipality to the bid may be entered into or signed within 30 days of the submission.

Combating of abuse of supply chain management system

- 38.** (1) The accounting officer must–

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any allegations against an official or other role player of fraud, corruption, favouritism, unfair or irregular practices or failure to comply with this 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 Umuziwabantu 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 Umuziwabantu 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 Umuziwabantu Municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).

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

Part 3: Logistics, Disposal, Risk and Performance Management

Logistics management

- 39.** The accounting officer must establish and implement an effective system of logistics management, which must include -
- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;

- (d) before payment is approved , certification by the responsible 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 that goods placed in stores are secure and only used for the purpose for which they were purchased;
- (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
- (g) monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

Disposal management

- 40.** (1) The criteria for the disposal or letting of assets, including unserviceable, assets who have reached the end of its useful life, redundant or obsolete assets, subject to sections 14 and 90 of the Act, must stipulate the following:

The Accounting Officer may approve the sale of movable assets with a value of less than R500, 000.00 (with delegated authority from Council under Section 14 (4) of the MFMA).

- (a) Approval for the disposal of assets with a value in excess of R500, 000.00 will be submitted to Council under Section 14 (2) of the MFMA.
- (b) The same procedures for disposal of property apply as for procurement under this policy, including application of the Preferential Procurement Policy Act and Regulations.
- (c) When land and buildings are to be sold at market value, a registered valuer will determine the market value.
- (d) Sale of assets through competitive bidding or public auction will follow the same communication process prescribed for tenders. In addition, advice will be given about where prospective buyers/tenderers may view the assets and any

notification of a public auction will advise the date, time and venue of the public auction.

- (e) Assets sold by private treaty with a value greater than R30, 000.00 will be evaluated and adjudicated in accordance with this policy. Adjudication will include provision for points as per the balanced scorecard in the Preferential Procurement Policy Regulations.

(2) Assets may be disposed of by –

- (i) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
- (ii) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
- (iii) selling the asset; or
- (iv) destroying the asset.

(3) The accounting officer must ensure that –

- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;

- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
 - (f) where assets are traded in for other assets, the highest possible trade-in price is negotiated; and
 - (g) in the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.
- (4) The Accounting Officer may approve the sale of movable assets with value of less than R500,000.00 (with delegated authority from Council under Section 14 (4) of the MFMA)
- (5) Approval for the disposal of assets with a value in excess of R500, 000.00 will be submitted to Council under Section 14 (2) of the MFMA.

Risk management

- 41.** (1) The Accounting Officer must establish an effective system of risk management for the identification, consideration and avoidance of potential risks in the supply chain management system.
- (2) Risk management must include –
- (a) the identification of risks on a case-by-case basis;
 - (b) the allocation of risks to the party best suited to manage such risks;
 - (c) acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it;
 - (d) the management of risks in a pro-active manner and the provision of adequate cover for residual risks; and

- (e) the assignment of relative risks to the contracting parties through clear and unambiguous contract documentation.

Performance management

- 42. The accounting officer must establish and implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved.

Part 4: Other matters

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

- 43.
 - (1) No award above R15 000 may be made in terms of this Policy 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 person the accounting officer must first check with SARS whether that person's tax matters are in order.
 - (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

Prohibition on awards to persons in the service of the state

- 44. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –
 - (a) who is in the service of the state;

- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the Umuziwabantu Municipality.

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

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

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

Ethical standards

46. (1) A code of ethical standards as set out in the Umuziwabantu Municipality Code of Conduct for Supply Chain Management Practitioners and other role players established for officials and other role players in the supply chain management system of the Umuziwabantu Municipality in order to promote –

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

(2) A breach of the code of ethics must be dealt with as follows -

- (a) in the case of an employee, in terms of the disciplinary procedures of the Umuziwabantu Municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
- (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

Inducements, rewards, gifts and favours to Umuziwabantu Municipality 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 Umuziwabantu Municipality for or in connection with the award of a contract; or
 - (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.
- (2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.
- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

Sponsorships

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

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

Objections and complaints

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

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 Umuziwabantu 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 Umuziwabantu 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 Umuziwabantu Municipality must stipulate –

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

Commencement

52. This Policy takes effect on the date on which it is adopted by council.

UMUZIWABANTU MUNICIPALITY
PETTY CASH POLICY

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1. INTRODUCTION

The petty cash must be kept by a designate of the Chief Financial Officer (CFO) in the Finance Department who will keep the cash under lock and key at all times. In terms of the Municipality's Supply Chain Management policy under Sub-paragraph 12 (1) (a), purchases from 1cent up to R 500.00 (inclusive of VAT) to be procured using petty cash.

2. GENERAL REQUIREMENTS AND OPERATIONS

- 2.1. The submission must be compiled with the recommendation of the Head of Department of the Unit concerned, and then forwarded to the Chief Financial Officer for approval, who will also approve any increase, for whatever reason, in the float of petty cash.
- 2.2. Authority to recommend and approve submission by the Head of Department and Chief Financial Officer respectively must be delegated in writing and appointment letters must be kept in safe custody for audit purposes.
- 2.3. Quotation may be requested but not compulsory, it is not compulsory for the selected supplier to be registered in the municipal suppliers' database.
- 2.4. All submissions regarding the request to utilize petty cash must be forwarded to the CFO **at least one** day before the date in which the petty cash is required. Poor planning will not be a justifiable reason to deviate from this provision.
- 2.5. No purchases of goods or services may take place before the approval to use petty cash is granted by the Chief Financial Officer or the delegated official, except in the case of urgent and emergencies in which case the Head of Department will have to give permission to proceed with the transaction. The CFO may make surprise inspections of the petty cash as he/she deems fit to do so, at least quarterly.

- 2.6. A petty cash requisition form must be used for all petty cash purchases. These forms shall be pre-numbered and recorded accordingly in the petty cash register.
- 2.7. The petty cash requisition form must include the following:
- i. Reason for petty cash;
 - ii. Amount requested (not exceeding R500.00);
 - iii. Vote number;
 - iv. Person requesting an item; and
 - v. Authorised by HoD;
 - vi. Person authorizing (CFO)
- 2.8. Urgent and emergency cases will be accommodated where immediate action is required to avoid a dangerous or life threatening situation, or any other cases which may require immediate action to be taken to proactively avoid a negative impact on service delivery.
- 2.9. Restrictions on the value per case may be made by the Responsibility Managers and Chief Financial Officer in order to exercise control over the usage of petty cash.
- 2.10. Original invoices or cash slips must be submitted to the Chief Financial Officer's office after such purchases have taken place.
- 2.11. Failure by any official to submit the invoices or cash slips within the period of 10 days from the date when petty cash was issued (This period will exclude public holidays and weekends that fall within it) will result in such total amount of purchases being recovered from the salary of the requestor. Where slips/invoices have been lost, an affidavit must be obtained.
- 2.12. No item which is available on contract basis may be purchased by using petty cash except in the case of dire or critical need and the item is not available from the contracted suppliers.

- 2.13. The Expenditure Manager must submit a monthly reconciliation report to the Chief Financial Officer, containing the total number and value of petty cash purchases for each month, including the opening balance and closing balance as well as the names of suppliers where goods and services have been purchased.
- 2.14. Certain types of transactions may be excluded from the petty cash purchases in the case where it is considered necessary to do so e.g. day to day maintenance, stationery, subsistence and traveling claims etc.
- 2.15. The related low valued items which are required to be purchased repetitively on a daily, weekly and monthly basis may not each time be purchased by means of petty cash. These requirements have to be consolidated, quantified and therefore procured through the normal procurement process, e.g. coffee and milk for boardrooms committee meetings if those items are required on a regular basis.

3. ARRANGEMENT FOR SUBMISSIONS WITH REGARD TO THE REQUESTS TO UTILISE PETTY CASH

All submissions regarding the request to utilize petty cash must be forwarded to the Chief Financial Officer preferably no less than **one day** before the date on which the petty cash is required. Poor planning will not be justifiable reason to deviate from this provision.

4. CUSTODY AND SAFEKEEPING OF PETTY CASH

The office and the safe where Petty Cash is maintained must always be locked and the keys must be kept in a safe place which is known by the custodian of the petty cash. If petty cash is lost, the official responsible for petty cash will be held liable.

5. ACCESS TO THE PETTY CASH

The use of petty cash should be freely accessible by all staff members. The Creditors Clerk is the only staff member, authorized, to issue petty cash.

6. REPLENISHMENT OF PETTY CASH

Petty cash will only be replenished if the petty cash has reached a minimum amount of **R2000.00**. A maximum amount of **R5000.00** will be kept in the petty cash office in order to minimize and avoid the risk relating to theft and losses.

7. IMPLICATION OF NON COMPLIANCE WITH THE MUNICIPAL PETTY CASH POLICY

It should be noted that failure to comply with this municipal petty cash policy constitutes financial misconduct and any employee found guilty will be subject to disciplinary procedures.

8. EFFECTIVE DATE

This petty cash policy comes into effect as from the 01 July 2012

UMUZIWABANTU MUNICIPALITY



TARRIF POLICY

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1. INTRODUCTION AND OBJECTIVE

1.1 A tariff policy must be compiled, adopted and implemented in terms of Section 74 of the Local Government: Municipal Systems Act 2000, such policy to cover, among other things, the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements.

1.2 The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 (see part 9 of this policy).

1.3 In setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

2. GENERAL PRINCIPLES

2.1 Service tariffs imposed by the umuziwabantu municipality shall be viewed as user charges and shall not be viewed as taxes, and therefore the ability of the relevant consumer or user of the services to which such tariffs relate, shall not be considered as a relevant criterion (except in the case of the indigent relief measures approved by the municipality from time to time).

2.2 The municipality shall ensure that its tariffs are uniformly and fairly applied throughout the municipal region.

2.3 Tariffs for the major service rendered by the municipality, namely: refuse removal (solid waste), shall as far as possible recover the expenses associated with the rendering of such service. The tariff which a particular consumer or user pays shall therefore be directly related to the standard of service received and the quantity of the service used or consumed.

2.4 The municipality shall, as far as circumstances reasonably permit, ensure that the tariffs levied in respect of the foregoing services further generate an operating surplus each financial year of 10% or such lesser percentage as the council of the municipality may determine at the time that the annual operating budget is approved. Such surpluses shall be applied in relief of property rates and for the partial financing of general services or for the future capital expansion of the service concerned, or both. The modesty of such surplus shall prevent the service tariffs concerned from being viewed as concealed taxes.

2.5 The municipality shall develop, approve and at least annually review an indigent support programme for the municipal area. This programme shall set out clearly the municipality's cost recovery policy in respect of the tariffs which it levies on registered indigents, and the implications of such policy for the tariffs which it imposes on other users and consumers in the municipal region.

2.6 In line with the principles embodied in the Constitution and in other legislation pertaining to local government, the municipality may differentiate between different categories of users and consumers in regard to the tariffs which it levies. Such differentiation shall, however, at all times be reasonable, and shall be fully disclosed in each annual budget.

2.7 The municipality's tariff policy shall be transparent, and the extent to which there is cross-subsidisation between categories of consumers or users shall be evident to all consumers or users of the service in question.

2.8 The municipality further undertakes to ensure that its tariffs shall be easily explainable and understood by all consumers and users affected by the tariff policy concerned.

2.9 The municipality also undertakes to render its services cost effectively in order to ensure the best possible cost of service delivery.

3. CALCULATION OF TARIFFS FOR MAJOR SERVICES

3.1 In order to determine the tariffs which must be charged for the supply of refuse removal services, the municipality shall identify all the costs of operation of the undertaking, including specifically the following:

- * Depreciation expenses.
- * Maintenance of infrastructure and other fixed assets.
- * Administration and service costs, including:
 - service charges levied by other departments such as finance, human resources and legal services;

- reasonable general overheads, such as the costs associated with the office of the municipal manager;
 - adequate contributions to the provisions for bad debts and obsolescence of stock;
 - all other ordinary operating expenses associated with the service concerned (note: the costs of the democratic process in the municipality – that is, all expenses associated with the political structures of the municipality – shall form part of the expenses to be financed from property rates and general revenues, and shall not be included in the costing of the major services of the municipality).
- * The intended surplus to be generated for the financial year, such surplus to be applied:
- as an appropriation to capital reserves; and/or
 - generally in relief of rates and general services.
- * The cost of approved indigent relief measures.

3.2 The municipality shall further consider relief in respect of the tariffs for refuse removal for such registered indigents to the extent that the council deems such relief affordable in terms of each annual budget.

4. ELECTRICITY

Inasmuch as the municipality is not responsible for the provision of electricity, no policy is provided for electricity tariffs.

5. REFUSE REMOVAL

- 5.1 The categories of refuse removal users as set out below shall be charged at the applicable tariffs, as approved by the council in each annual budget.

5.2 Tariff adjustments shall be effective from 1 July 2012

5.3 A separate fixed monthly refuse removal charge shall apply to each of the following categories of users, based on the costs of the service concerned:

- * Domestic and other users (once weekly removal)
- * Business and other users (twice weekly removal)
- * Business and other (bulk consumers).

- 5.4 Registered indigents may receive such discount on this charge as the council deems affordable when approving each annual budget, but on the understanding that such discount shall not be less than 50% of the monthly amount billed as a refuse removal charge.

6. MINOR TARIFFS

6.1 All minor tariffs shall be standardised within the municipal area.

6.2 All minor tariffs shall be approved by the council in each annual budget, and shall, when deemed appropriate by the council, be subsidised by property rates and general revenues, particularly when the tariffs will prove uneconomical when charged to cover the cost of the

service concerned, or when the cost cannot accurately be determined, or when the tariff is designed purely to regulate rather than finance the use of the particular service or amenity.

6.3 All minor tariffs over which the municipality has full control, and which are not directly related to the cost of a particular service, shall annually be adjusted at least in line with the prevailing consumer price index, unless there are compelling reasons why such adjustment should not be effected.

6.4 The following services shall be considered as subsidised services, and the tariffs levied shall cover 50% or as near as possible to 50% of the annual operating expenses budgeted for the service concerned:

- burials and cemeteries
- rentals for the use of municipal sports facilities

6.5 The following services shall be considered as community services, and no tariffs shall be levied for their use:

- municipal swimming pool
- disposal of garden refuse at the municipal tip site
- municipal reference library
- municipal lending library (except for fines set out below)
- municipal garden, and all other parks and open spaces.

6.6 The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned:

- maintenance of graves and garden of remembrance (cremations)
- housing rentals
- rentals for the use of municipal halls and other premises (subject to the proviso set out below)
- building plan fees
- sales of plastic refuse bags
- cleaning of stands
- sales of livestock and plants
- photostat copies and fees
- Clearance certificates.

6.7 The following charges and tariffs shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget:

- fines for lost or overdue library books
- advertising sign fees
- pound fees
- penalty and other charges imposed in terms of the approved policy on credit control and debt collection
- penalty charges for the submission of dishonoured, stale, post-dated or otherwise unacceptable cheques.

6.8 Market-related rentals shall be levied for the lease of municipal properties.

6.9 *In the case of rentals for the use of municipal halls and premises,*

- *the council may by resolution determine categories of users of such halls and premises which are entitled to discounts on the grounds that they are required for non-profit purposes and for the provision of a service to the community.*

- *If the municipal manager is satisfied that a prospective user falls within such a category and a hall or premises are required by such user for non-profit making purposes and for the provision of a service to the community, the municipal manager may waive up to 50% of the applicable rental.*

6.10 The municipal manager shall determine whether an indemnity or guarantee must in each instance be lodged for the rental of municipal halls, premises and sports fields, and in so determining shall be guided by the likelihood of the municipality's sustaining damages as a result of the use of the facilities concerned.

7. **LEGAL REQUIREMENTS LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000**

UMUZIWABANTU MUNICIPALITY



RATES POLICY



I N D E X

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CHAPTER 1

INTERPRETATION

1. Definitions

In this policy unless the context indicates otherwise – “**agent**”, in relation to the owner of a property, means a person appointed by the owner of the property-

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

(b) to make payments in respect of the property on behalf of the owner;

“**agricultural purpose**”, in relation to the use of a property, excludes the use of a property for the purpose of eco-tourism or for the trading in or hunting of game;

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

“**appeal board**” means a valuation appeal board establishment in terms of section 56 of the Municipal Property Rates Act.

“**assistant municipal valuer**” means a person designated as an assistant municipal valuer in terms of section 35(1) or (2) of the Municipal Property Rates Act;

“**category**” –

(a) in relation to property, means a category of properties determined in terms of section 8 of the Municipal Property Rates Act and

(b) in relation to owners of properties, means a category of owners determined in terms of section 15(2) of the Municipal Property Rates Act;

“data collector” means a person designated as a data-collector in terms of section 36 of the Municipal Property Rates Act,

“date of valuation” means the date determined by a municipality in terms of section 31(1) of the Municipal Property rates Act,

“effective date”

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

“exclusion”, in relation to a municipality’s rating power, means a restriction of that power as provided for in section 17 of the Municipal Property Rates Act.

“exemption”, in relation to the payment of a rate, means an exemption granted by a municipality in terms of section 15 of the Municipal Property Rates Act,

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

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

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

- (a) acquired the property through –
 - (i) the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993); or

- (ii) the Restitution of Land Rights Act, 1994 (Act No. 22 of 1994);
- (b) holds the property subject to the Communal Property Associations Act, 1996 (Act No. 28 of 1996); or
- (c) holds or acquires the property in terms of such other land tenure reform legislation as may pursuant to section 25(6) and (7) of the Constitution be enacted after the Municipal Property Rates Act has taken effect.

“**land tenure right**” means an old order right or a new order right as defined in section 1 of the Communal Land Rights Act, 2004;

“**local community**” in relation to a municipality –

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

“local municipality” means a municipality 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;

“market value”, in relation to a property, means the value of the property determined in accordance with section 46 of the Municipal Property Rates Act,

“MEC for local government” means the member of the Executive Council of a province who is responsible for local government in that province.

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

“multiple purposes” in relation to a property, means the use of a property for more than one purpose;

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

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

“municipality ”-

- (a) as a corporate entity, means a municipality described in section 2 of the Municipal Systems Act; and
- (b) as a geographical area, means a municipal area demarcated in terms of the Local Government : Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

“municipal manager” means a person appointed in terms of section 82 of the Municipal Structures Act;

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

“Municipal Structures Act” means the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);

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

“municipal valuer” or **“valuer of a municipality”** means a person designated as a municipal valuer in terms of section 33(1) of the Municipal Property rates Act,

“newly rateable property” means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which the Municipal Property Rates Act took effect, excluding –

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

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

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

“owner” –

- (a) in relation to a property referred to in paragraph (a) of the definition of **“property”**, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of **“property”**, means a person in whose name the right is registered;

- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property” means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”

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

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

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

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

“person” includes an organ of state;

“prescribe” means prescribe by regulation in terms of section 83 of the Municipal Property Rates Act,

“property” means –

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

“property register” means a register of properties referred to in section 23 of the Municipal Property Rates Act,

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

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

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

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

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

- (a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary;
 - (b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public;
 - (c) power stations, power substations or power lines forming part of an electricity scheme serving the public,
 - (d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels.
- (e) railway lines forming part of a national railway system;

- (f) communication towers, masts, exchanges or lines forming part of communications system serving the public;
- (g) runways or aprons at national or provincial airports;
- (h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels;
 - (i) any other publicly controlled infrastructure as may be prescribed; or
- (j) rights of way, easements or servitudes in connection with infrastructure mentioned in paragraphs (a) to (i);

“rate” means a municipal rate or property on which a municipality may in terms of section 2 of the Municipal Property Rates Act levy a rate, excluding property fully excluded from the levying of rates in terms of section 17 of the Municipal Property rates Act,

“rebate”, in relation to a rate payable on a property, means a discount granted in terms of section 15 of the Municipal Property Rates Act on the amount of the rate payable on the property;

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

“register”

- (a) means to record in a register in terms of -

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

“residential property” means a property included in a valuation roll in terms of section 48(2)(b) of the Municipal Property Rates Act as residential;

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

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

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

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

“state trust land” means land owned by the state-

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

CHAPTER 2

ESTABLISHMENT AND IMPLEMENTATION OF RATES POLICY

2. Legal requirements

This policy is subject to the requirements of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Systems Act, 2000 (Act No. 31 of 2000)

3. Objective

- 3.1 In developing and adopting this rates policy, the Council has sought to give effect to the sentiments expressed in the preamble of the Municipal Property Rates Act, 2004 namely that;
- (a) the Constitution enjoins a local government to be developmental in nature, in addressing the service delivery priorities of our country and promoting the economic and financial viability of our municipalities;
 - (b) there is a need to provide local government with access to a sufficient and buoyant source of revenue necessary to fulfill its developmental responsibilities;
 - (c) revenues derived from property rates represent a critical source of income for municipalities to achieve their constitutional objectives, especially in areas neglected in the past because of racially discriminatory legislation and practices; and
 - (d) it is essential that municipalities exercise their power to impose rates within a statutory framework which enhances certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.
- 3.2 In applying its rates policy, the Council shall adhere to all the requirements of the Municipal Property Rates Act 2004, including any regulations promulgated in terms of that Act.

4. Adoption and contents of rates policy

- 4.1 The Council must adopt a policy consistent with the Municipal Property Rates Act on the levying of rates on rateable property in the municipality.
- 4.2 A rates policy adopted in terms of paragraph 4.1 takes effect on the effective date of the first valuation roll prepared by the municipality in terms of the Municipal Property Rates Act and must accompany the municipality's budget for the financial year concerned when the budget is tabled in the municipal council in terms of section 16(2) of the Municipal Finance Management Act.
- 4.3 A rates policy must -
- (a) treat persons liable for rates equitably;
 - (b) determine the criteria to be applied by the municipality if it-
 - (i) levies different rates for different categories of properties;
 - (ii) exempts a specific category of owners of properties, or the owners of a specific category of properties, from payment of a rate on their properties;
 - (iii) grants to a specific category of owners of properties, or to the owners of a specific category of properties, a rebate on or a reduction in the rate payable in respect of their properties; or
 - (iv) increases rates;
 - (c) determine, or provide criteria for the determination of -
 - (i) categories of properties for the purpose of levying different rates as contemplated in paragraph (b)(i); and
 - (iii) categories of owners of properties, or categories of properties, for the purpose of granting exemptions, rebates and reductions as contemplated in paragraph (b)(ii) or (iii);
 - (d) determine how the municipality's powers in terms of section 9(1) of the Municipal Property Rates Act must be exercised in relation to properties used for multiple purposes;

- (e) identify and quantify in terms of cost to the municipality and any benefit to the local community-
 - (i) exemptions, rebates and reductions;
 - (ii) exclusions referred to in section 17(1)(a), (e), (g), (h), and (i) of the Municipal Property Rates Act and
 - (iii) rates on properties that must be phased in in terms of section 21 of the Municipal Property Rates Act;
- (f) take into account the effect of rates on the poor and include appropriate measures to alleviate the rates burden on them;
- (g) take into account the effect of rates on organizations conducting specified public benefit activities and registered in terms of the Income Tax Act for tax reductions because of those activities, in the case of property owned and used by such organizations for those activities.
- (h) take into account the effect of rates on public service infrastructure;
- (i) allow the municipality to promote local, social and economic development; and
- (j) identify on a basis as may be prescribed, all rateable properties in the municipality that are not rated in terms of section 7(2)(a) of the Municipal Property Rates Act.

4.4 When considering the criteria to be applied in respect of any exemptions, rebates and reductions on properties used for agricultural purposes, a municipality must take into account-

- (a) the extent of services provided by the municipality in respect of such properties.
- (b) the contribution of agriculture to the local economy
- (c) the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality; and

- (d) the contribution of agriculture to the social and economic welfare of farm workers.

4.5 Any exemptions, rebates or reductions referred to in paragraph 4.3 and provided for in the rates policy adopted by the Council must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government.

4.6 No municipality may grant relief in respect of the payment of a rate -

- (a) to a category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, a rebate or a reduction provided for in its rates policy and granted in terms of section 15 of the Municipal Property Rates Act.
- (b) to the owners of properties on an individual basis.

5. **Community participation**

5.1 Before the Council of uMuziwabantu adopts the rates policy, the Council must –

- (a) follow a process of community participation in accordance with Chapter 4 of the Municipal Systems Act; and
- (b) comply with Sections 4 and 5 of the Act

5.2 The municipal manager must -

5.2.1 conspicuously display the draft rates policy for a period of at least 30 days -

(a) at the municipality's head and satellite offices and libraries; and

(b) on the municipality's official website,

5.2.2 advertise in the media a notice -

(a) stating -

(i) that a draft rates policy has been prepared for submission to the council; and

(ii) that the draft rates policy is available at the municipality's head and satellite offices and libraries for public inspection during office hours and, on the municipality's official website; and

(b) inviting the local community to submit comments and representations to the municipality within a period specified in the notice which may not be less than 30 days.

6. Annual review of rates policy

(a) The council of Umuziwabantu must annually review, and if necessary, amend, its rates policy. Any amendments to a rates policy must accompany the municipality's annual budget when it is tabled in the council in terms of section 16(2) of the Municipal Finance Management Act.

- (b) Section 3(3) to (6) of the Municipal Property Rates Act read with the necessary changes as the context may require, apply to any amendment of a rates policy. Community participation in amendments to a rates policy must be effected through the municipality's annual budget process in terms of sections 22 and 23 of the Municipal Finance Management Act.

7. Bylaws to give effect to rates policy

- (a) The Council of Umuziwabantu must adopt by-laws to give effect to the implementation of its rates policy.
- (b) By-laws in terms of paragraph 7(a) may differentiate between-
 - (i) different categories of properties; and
 - (ii) different categories of owners of properties liable for the payment of rates.

CHAPTER 3

LEVYING OF RATES

8. Imposition of rates

- (a) The Council shall as part of each annual operating budget component impose a rate in the rand on the market value of all rateable property as recorded in the municipality's valuation roll and supplementary valuation roll. Rateable property shall include any rights registered against such property, with the exception of a mortgage bond.
- (b) The Council pledges itself to limit as far as possible each annual increase over the period proceeding the financial year to which the increase relates. The Council shall, in imposing the rate for each financial year, take proper cognizance of the aggregate burden of rates and service charges on representative property owners, in the various categories of property ownership.

9. Differential rates

9.1 In imposing the rate in the rand for each annual operating budget component, the Council shall grant the following rebates to the categories of properties and categories of owners indicated below, but the Council reserves the right to amend these rebates if the circumstances of a particular annual budget so dictate.

9.1.1 Any exemptions, rebates or reductions granted and provided for in this rates policy, must comply and be implemented in accordance with a national framework that may be prescribed after consultation with organized local government.

9.1.2 The municipality may not grant relief in respect of the payment of rates to:-

(a) A category of owners of properties, or to the owners of a category of properties, other than by way of an exemption, rebate or reduction as provided for in its rates policy and granted in terms of section 15 of the Municipal Property Rates Act, or

(c) The owners of properties on an individual basis.

9.1.3 In determining whether a property forms part of a particular category indicated below the municipality shall have regard to the actual use to which the relevant property is put. In the case of vacant land not specifically included in any of the categories indicated below, the permitted use of the property shall determine into which category it falls.

PROPERTY

REBATE

(a) Residential property

- Residential properties or properties of any category used for multiple purposes where the residential component represents on average 90% or more of the property's actual use 0%

(b) Industrial property

- Industrial properties 0%
- Industrial incentive scheme (In terms of Council's Industrial Incentive Scheme)

(c) Business and commercial properties

- Business and commercial properties 0%

(d) Farm property

- Farm properties: residential component 0%
- Farm properties: business and commercial component 0%
- Farm properties: agricultural component 0%
- Farm properties: used for no purpose 0%

(e) Smallholdings

- Smallholdings: residential component 0%
- Smallholdings: business and commercial component 0%
- Smallholdings: industrial component 0%
- Smallholdings: agricultural component 0%

(f) State-owned property

- State-owned properties: residential 0%
- State-owned properties: public service infrastructure 30%
- State-owned properties: other 20%

(g) Municipal property

- Municipal properties: residential 100%
- Municipal properties: public service infrastructure 100%
- Municipal properties: other 100%

(h) District municipal property

- Municipal properties: residential 0%
- Municipal properties: public service infrastructure 0%

(i) Formal and informal settlements

- Formal and informal settlements: all properties with a rateable value of up to **R75,000** 100%

(j) State trust land

- Residential 100%
- Hospitals, Clinics, Courts, Businesses and Other 0%
- Public works 20%

(l) Protected areas

- Protected areas 100%

(m) National monuments

- Properties on which national monuments are situated, and where no business or commercial activities are conducted in respect of such monuments 100%
- Properties on which national monuments are situated, but where business or commercial activities are conducted in respect of such

monuments

100%

(n) **Public benefit organizations**

- Properties owned by public benefit organizations and used to further the objectives of such organizations 100%

9.2 Properties used for multiple purposes, other than those referred to under residential properties above, shall be rated on the value assigned to each component, and shall receive the rebate applicable to such component. Where one component on average represents 90% or more of the property's actual use, such property shall be rated as though it were used for that use only.

9.3 The following categories of owners of residential properties shall additionally receive the following rebates on the rates due in respect of such properties after deducting the rebate applicable to residential properties:

9.3.1 *Property owners who are both the permanent occupants and the sole owners of the property concerned and who are registered indigents in terms of the municipality's Indigent Support policy.

100% of the rates based
On the rateable value.

- 9.4 The Council of Umuziwabantu grants the above rebates in recognition of the following factors:
- (a) The inability of residential property owners to pass on the burden of rates, as opposed to the ability of the owners of business, commercial, industrial and certain other properties to recover such rates as part of the expenses associated with the goods or services which they produce.
 - (b) The need to accommodate indigents and less affluent pensioners.
 - (c) The service provided to the community by public service organizations.
 - (d) The value of agricultural activities to the local economy coupled with the limited municipal services extended to such activities, but also taking into account the municipal services provided to municipal residents who are employed in such activities.
 - (e) The need to preserve the cultural heritage of the local community.
 - (f) The need to encourage the expansion of public service infrastructure.
- 9.5 The Municipal Manager shall ensure that the revenues forgone in respect of the foregoing rebates are appropriately disclosed in each annual operating budget component and in the annual financial statements and annual report, and that such rebates are also clearly indicated on the rates accounts submitted to each property owner.

9.6 Circumstances in which rebates will lapse

- (a) Upon the death of the owner, except where the property concerned has been inherited by and occupied by the surviving spouse.
- (b) Upon the expropriation, sale or the disposal of the property.
- (c) Upon the applicant ceasing to reside permanently on the property concerned.
- (d) Failure to pay, by the final date, any rates due:-
 - (i) by virtue of the maximum allowable rebate mentioned above being exceeded; and
 - (ii) in circumstances where the applicant decides to pay any year's rates instead of applying for a rebate.

9.8 Consequences of the lapsing of rebate

- (a) The total amount deferred, including interest, becomes due to the municipality;**
- (b) Should an applicant wish to apply for a rebate of rates, he/she may apply before the 31 August in any year;**
- (c) Only properties with more than R2000, 00 outstanding in rates be sold in execution;
- (d) That with regard to pensioners who are in arrears with rates, the existing policy regarding the deferment of rates be extended to allow pensioners to defer their payments; and

- (e) That any ratepayer with his/her rates in arrears of less than R3000, 00 be allowed to enter into agreement to pay his/her current and arrear rates in monthly installments’.

9.9 Amount due for rates

The rate levied by the municipality on property must be stated as 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.
- (c) In the case of property to which Section 17(1)(h) of the Municipal Property Rates Act applies, i.e. On the first R15 000, 00 of the market value of property assigned to a category determined for:
 - residential purposes; or
 - properties used for multiple purposes, provided one or more components of the property are used for residential purposes.

9.10 Promulgation of resolutions levying rates

- (a) A rate is levied by a resolution passed by the Council with a supporting vote of a majority of its members.

- (b) The resolution levying the rates must be promulgated by publishing the resolution in the Provincial Gazette.
- (c) Whenever the municipality passes a resolution to levy rates, the Municipal Manager must, without delay, conspicuously display the resolution for a period of at least 30 (thirty) days at the municipality's head and satellite offices and libraries, and on the municipality's official website; and advertise in the media a notice stating that the resolution levying the property rates has been passed by the Council, and that the resolution is available at the municipality's head and satellite offices and on the official website.

9.11 Exemptions, reductions and rebates

- (a) The municipality of Umuziwabantu may:-
 - (i) exempt a specific category of owners of properties, or the owners of a specific category of properties, from payment of the rate levied on their property; or
 - (ii) grant to a specific category of owners, or to the owners of a specific category of properties, a rebate on or a reduction in the rates payable in respect of their properties.
- (b) In terms of section 8 of the Municipal Property Rates Act, 2004, exemptions, reductions or rebates are determined per Council resolution in respect of owners of properties of the following categories:-
 - (i) indigent owners;
 - (ii) powers dependent on pensions or social grants for their livelihood;

- (iii) owners of property situated within an area affected by a disaster or any other serious adverse social or economic conditions;
- (iv) owners of residential properties with a market value lower than an amount determined by the municipality; and
- (v) owners of agricultural properties who are bona fide farmers.

(c) The Municipal Manager must annually table in the council:

- (i) a list of all exemptions, reductions and rebates granted by the municipality during the previous financial year; and
 - (ii) a statement reflecting the income which the municipality has forgone during the previous financial year by way of such exemption, reductions and rebates, exclusions referred to in the Act, and the phasing-in discount granted in terms of Section 21 of the Municipal Property Rates Act.
- (d) All exemptions, reductions and rebates projected for a financial year must be reflected in the municipality's annual budget for that year as income on the revenue side and expenditure on the expenditure side.

CHAPTER 4

LIMITATIONS ON LEVYING OF RATES

10. Constitutionally impermissible rates

The municipality may not exercise its power to levy rates on property in a manner that materially and unreasonably prejudices national economic policies, economic activities across its boundaries, or the national mobility of goods, services, capital and labour.

11. Other impermissible rates

The municipality may not levy a rate on:

- (a) the first 30% of the market value of public service infrastructure;
- (b) those parts of a special nature reserve, national park or nature reserve or national botanical garden which are not developed or used for commercial, business, agriculture or residential purposes;
- (c) mineral rights;
- (d) property belonging to a land reform beneficiary or his or her heirs, provided that this exclusion lapses 10(ten) years from the date on which such beneficiary's title was registered in the office of the registrar of deeds;
- (e) The first R15 000,00 is impermissible rate of the market value of a property assigned in the valuation roll or supplementary valuation roll to a category determined by the municipality for residential purposes or for properties used for multiple purposes, provided one or more components of the property are used for residential purposes; and
- (f) 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 and who officiates at services at that place of worship.

- (g) The Municipality of uMuziwabantu further gives a rebate of R75, 000 including the first R15 000.00 impermissible on the market value of improved property assigned in the valuation roll or supplementary valuation roll of a municipality to a category determined by the municipality for residential properties.
- (h) The Municipality of Umuziwabantu only gives the first R15,000 which is impermissible rate on unimproved properties assigned in the valuation roll or supplementary roll of a municipality to a category determined by the municipality for residential properties.

12. Exemption of Municipalities from provisions of Clause 11

The municipality may apply in writing to the Minister for Provincial and Local Government to be exempted from applying the exemptions granted in respect of the first 30% of the market value of public infrastructure, the exemption on property belonging to land beneficiaries, and the exemption applying to the first R15 000,00 of the market value of residential and mixed use property, if the municipality can demonstrate that such exclusions are compromising or impeding its ability or right to exercise its powers or perform its functions within the meaning of the Constitution.

13. Impermissible differentiation

The municipality may not levy;

- (a) different rates on residential properties (except where transitional arrangements apply or where some of the properties are newly rateable);

- (b) a rate on non-residential properties that exceeds a prescribed ratio to the rate on residential properties;
- (c) rates which unreasonably discriminate between categories of non-residential properties; and
- (d) additional rates, except as provided for in Clause 16.

14. Limits on annual increases of rates

On written application by the municipality, and on good cause shown, the municipality may apply for exemption from the upper limit set by the Minister of Provincial and Local Government, on the percentage by which rates on properties or a rate on a specific category of properties may be increased.

15. Compulsory phasing in of certain rates

- (a) A rate levied on newly rateable property will be phased in over a period of three financial years. Similarly, a rate levied on property owned by a land reform beneficiary will, after the exclusion period has lapsed, be phased in over a period of three financial years.
- (b) A rate levied on a newly rateable property owned and used by organizations conducting specified public benefit activities will be phased in over a period of four financial years.
- (c) The phasing in discount on a property will:

- (i) in the first year, be at least 75% of the rate for that year otherwise applicable to that property;
 - (ii) in the second year, be at least 50% of the rate for that year otherwise applicable to that property; and
 - (iii) in the third year, be at least 25% of the rate for that year otherwise applicable to that property.
- (d) No rate will be levied during the first year on newly rateable property owned and used by organizations conducting public benefit activities. Thereafter the phasing in discount shall apply as for other newly rateable property except that the 75% discount shall apply to the second year, the 50% to the third year, and the 25% to the fourth year.
- (e) The rate levied on newly rateable property will not be higher than the rate levied on similar property or categories of property in the municipality.

CHAPTER 5

ADDITIONAL RATES

16. Special rating areas

- (a) The municipality of uMuziwabantu may by a resolution of the Council determine an area within the municipality as a special rating area, levy an additional rate on property in that area for the purpose of raising funds for improving or upgrading that area, and differentiate between categories of properties when levying such additional rate.
- (b) The levying of an additional rate will not be used to reinforce existing inequities in the development of the municipality, and any determination of a special rating area will be consistent with the objectives of the municipality's IDP.

CHAPTER 6

LIABILITY FOR RATES

17. Property rates payable for rates by owners

- (a) A rate levied by the municipality on property must be paid by the owner of the property.
- (b) Joint owners of a property are jointly and severally liable for the amount due for rates on that property.

- (c) In the case of agricultural property owned by more than one owner in undivided shares, the municipality will consider whether in the particular circumstances it would be more appropriate for the municipality to hold any one of the joint owners liable for all rates levied in respect of the agricultural property, or to hold any joint owner only liable for that portion of the rates levied on the property that represent that joint owner's undivided share in the agricultural property.

18. Payment of rates on property in sectional title schemes

- (a) The rate levied by the municipality on a sectional title unit is payable by the owner of the unit.
- (b) The municipality will not recover the rate on such sectional title unit, or any part of such rate, from the body corporate controlling the sectional title scheme, except when the body corporate itself is the owner of any specific sectional title unit.

19. Method and time of payment

- (a) The municipality may recover a rate –
 - (i) on a monthly basis or less often as may be prescribed in terms of the Municipal Finance Management Act; or
 - (ii) annually, as may be agreed to with the owner of the property
- (b) If a rate is payable in a single amount annually it must be paid on or before a date determined by the municipality. Rate payers must apply in writing if want to be an annually payer.

- (c) If a rate is payable in installments it must be paid in 12 equal installments during the financial year in respect of which such rate is payable.

20. Accounts to be furnished.

- (a) The municipality must furnish each person liable for the payment of a rate with a written account specifying:
 - (i) the amount due for rates payable;
 - (ii) the date on or before which the amount is payable;
 - (iii) how the amount was calculated;
 - (iv) the market value of the property;
 - (v) if the property is subject to any compulsory phasing-in discount in terms of Clause 15 the amount of the discount, and
 - (vi) if the property is subject to any additional rate in terms of Clause 16 the amount due for additional rates.
- (b) The person liable for payment of the rates remains liable for such payment whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, that person must make the necessary enquiries from the municipality.

- (c) Every owner of rate able property within the municipality shall notify the municipality of any address within South Africa to which notices in respect of the property shall be sent.
- (d) Any address so notified may be amended by a notification of amendment. When such notification of amendment takes effect the amended address shall be deemed for all purposes to have been notified in terms of paragraph 20(c) to the exclusion of any address previously notified.
- (e) Every such notification of address or amendment shall be in writing and –
 - (i) shall be addressed to the Municipal Manager;
 - (ii) shall state either the rate number or numbers of the property as shown in the valuation roll then current or the description or descriptions thereof appearing in the said roll; and
 - (iii) shall take affect only when an acknowledgement thereof has been dispatched by the Municipal Managers.
- (f) In the event of any owner of rateable property within the municipality failing to notify the municipality of any address required in subparagraph 20(c) the account will be forwarded to the address of the property shown in the valuation roll.

21. Recovery of rates in arrears

- (a) The Chief Financial Officer shall be the collector of rates and shall have power under that title to sue for and recover all rates which are due and payable to the Council.

- (b) In respect of any rates remaining unpaid after the final date for their payment there shall be added for each month during which the default continues a penalty calculated at the market related rate as on 01 July 2009 per annum and for the purpose of this paragraph part of a month shall be deemed to be a month.
- (c) If the owner of any property fails to pay rates or any part thereof owing in respect of such property on or before the final date for payment – the collector shall give such owner a registered notice calling upon him/her to pay rates and the penalties accrued or accruing thereon, which notice shall state the capital amount of the rates owing and the rate number of the property in the valuation roll then current, and also contains a warning to the owner that if he/she fails to pay the arrear rates within 30(thirty) days, the collector may;
- (i) cause to be published in one or more newspapers circulating in the area of jurisdiction of the council, a notice stating:
- the property description appearing in the valuation roll;
 - the name of the owner;
 - the physical address as shown in the valuation roll;
 - the total amount outstanding; and
- (ii) after 60 (sixty) days, the outstanding account will be handed over to the council's attorneys for collection.
- (d) If an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined for payment by the municipality, the municipality may recover the amount in whole or in part

from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier. The municipality may recover an amount only after it has served a registered notice on such tenant or occupier.

- (e) The amount that the municipality may recover from the tenant or occupier is limited to the amount of the rent or other money due or payable, but not yet paid, by such tenant or occupier to the owner of the property.
- (f) The municipality may recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality, but only after the municipality has served a registered notice on the agent in this regard.
- (g) The amount that the municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.
- (h) Any notice which the collector is required to give in terms of paragraph 21(c) shall be deemed to have been properly given-
 - (i) if it has been posted to an address notified in terms of paragraph 20 (c) the notification of which took effect before the date in the financial year on which rates become due and payable;
 - (ii) if subparagraph (i) does not apply and the property is not vacant land, to the address of the property shown in the valuation roll; or
 - (iii) to an address which appears to be the residential or business address of the owner according to the registers of the collector, which method of posting shall be utilized if sub-paragraphs (i) and (ii) do not apply or if any notice posted in terms of either of the said subparagraphs has been returned as undelivered.

- (i) For the purposes of this clause, working day shall mean any day on which offices of the collector are open for the receipt of payments;
- (j) Any amount paid to or recovered by the collector in respect of rates shall be applied in accordance with the following provisions to the payment of any amounts outstanding and the said provisions shall apply notwithstanding any appropriation or stipulation made by the person making any payment –
 - (i) first to the amounts outstanding in respect of the earliest year in respect of which any amount is outstanding in the following order:
 - any rates;
 - penalties
 - (ii) next to the said amounts in respect of the next earliest year, and in the said order; and
 - (iii) next to the said amounts in respect of each successive year, in the said order in respect of each year.

CHAPTER 7

GENERAL VALUATION OF RATEABLE PROPERTY

22. General valuation and preparation of valuation rolls

- (a) The municipality of Umuziwabantu is intending to levy a rate on property and must general valuate all properties in the municipality, and must prepare a valuation roll of all properties in terms of such valuation.
- (b) All rateable properties in the municipal area of Umuziwabantu must be valued during such general valuation, including all properties fully or partially excluded from rates in terms of Section 17 of the Municipal Property Rates Act. However, if the municipality does not intend to levy rates on its own property, on public service infrastructure owned by a municipal entity, on rights in properties, and on properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racial

discrimination, the municipality is not obliged to value such properties as part of the valuation process.

- (c) The municipality may also apply to the Minister for exemption from the obligation to value properties excluded from rates in terms of Section 17 of the Municipal Property Rates Act, if the municipality can demonstrate that the valuation of such properties is too onerous for it, given its financial and administrative capacity.

23. Date of valuation

- (a) For the purpose of a general valuation the municipality must determine a date that may be not more than twelve (12) months before the start of the financial year in which the valuation roll is to be first implemented;
- (b) The general valuation must reflect the market values of properties in accordance with market conditions which apply as at the date of valuation, and in accordance with any other applicable provisions of the Municipal Property Rates Act.

24. Commencement and period of validity of valuation roll

- (a) The valuation roll takes effect from the start of the financial year following completion of the public inspection period required by section 49 of the Municipal Property Rates Act; and
- (b) The valuation roll remains valid for that financial year or for one or more subsequent financial years as the municipality may decide, but in total no for more than four financial years.

25. Register of properties

- (a) The Municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B.
- (b) **PART A** of the register consists of the current valuation roll of the Municipality, including any supplementary valuation rolls prepared in terms of section 78 of the Municipal Property Rates Act.
- (c) **PART B** of the register must specify which properties are subject to:
 - (i) an exemption
 - (ii) a rebate on or reduction in the rate
 - (iii) a phasing-in of the rate;
 - (iv) an exclusion referred to in section 17 of the Municipal Property Rates Act.

CHAPTER 8

VALUATION CRITERIA

26. General basis of valuation

- (a) The market value of a property is the amount the property would have realized if sold on the date of valuations in the open market by a willing seller to willing buyer.
- (b) In determining the market value of a property, the following must be considered for purposes of valuing the property:-
 - (i) the value of any licence, permission or other privilege granted in terms of legislation in relation to the property;

- (ii) the value of any immovable improvement on the property that was erected or is being used for purpose which is inconsistent with or in contravention of the permitted use of the property, as if the improvement was erected or is being used for a lawful purpose; and
 - (iii) the value of the property for a purpose which is inconsistent with or in contravention of the permitted use of the property, as if the property is being used for a lawful purpose.
- (c) In determining the market value of a property the following must be disregarded for the purposes of valuing the property:-
 - (i) the value of any building or other immovable structure under the surface of the property which is the subject matter of any mining authorization or mining rights defined in the Minerals Act, 1991;
 - (ii) the value of any equipment or machinery which, in relation to the property concerned, is immovable property, excluding -
 - ❑ a lift
 - ❑ an escalator
 - ❑ an air conditioning plant
 - ❑ fire extinguishers
 - ❑ a water pump installation for a swimming pool or for irrigations or domestic purposes; and
 - ❑ any other equipment or machinery that may be prescribed; and
 - (iii) any unregistered lease in respect of the property;
- (d) In determining the market value of a property used for agricultural purposes, the value of any annual crops or growing timber on the property that have not yet been harvested as at the date of valuation must be disregarded for purposes of valuing the property.

- (e) Where the available market related date is insufficient to determine the market value of public service infrastructure, such public infrastructure may be valued in accordance with any other method of valuation as may be prescribed.
- (f) When valuing a property which is subject to a sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme.
- (g) An appeal to an Appeal Board against a decision of the municipal value in terms of the Municipal Property Rates Act, may be lodged in the prescribed manner and upon payment of the approved fee with the Municipal Manager.

CHAPTER 9

COMMUNITY PARTICIPATION

27 It is recorded that every municipality may only adopt its rates policy or any amendment thereof or any review of its policy after following a process of community participation in accordance with chapter 4 of the Municipal systems Act, 2000.

27.1 This Municipality will comply with its community participation and consultation obligations in terms of Chapter 4 of the Municipal Systems Act and Section 4 and 5 of the Act before the Rates Policy or any review thereof is finally adopted. In terms of chapter 4 of the Municipal systems Act, 2000 (Act No 32 of 2000) the Municipality is committed to:

27.1.1 building capacity of the local community to enable it to participate in the affairs of the Municipality; and

27.1.2 to foster community participation for which the municipality will allocate funds in its budget for such processes.

27.2 The participation by the local community in municipal affairs will take place through the political structures: the mechanisms, processes and procedures for participation in municipal governance and any other appropriate mechanisms processes and procedures established by the municipality and generally apply the provisions for participation as required by this act.

27.3 The municipality will provide for:

- 27.3.1** the receipt processing and consideration of petitions, objections and comments lodged by the members of the local community:
 - 27.3.2** public meetings and hearings by the municipal council and other political structures (e.g. ward committees) and political office bearers of the municipality:
 - 27.3.3** consultative sessions with locally recognized community organizations and where appropriate traditional authorities;
- 27.4** Communication with the public relating to the Rates Policy will be in terms of section 4(2) of the act by notice in:
- 27.4.1** local newspapers circulating in its area and determined by this council as a newspaper of record; and/or
 - 27.4.2** official notice boards and other public places accessible to the public including the library and the municipal offices;
 - 27.4.3** on the municipal website
 - 27.4.4** and inviting the local community to submit comments and representations within the time specified in the notice.

CHAPTER 10

UPDATING OF VALUATION ROLLS

28. General

The municipality must regularly, but at least once a year, update its valuation roll by causing –

- (a) a supplementary valuation roll to be prepared in terms of Section 78 of the Municipal Property Rates Act; or
- (c) the valuation roll is to be amended in terms of Section 79 of the Municipal Property Rates Act.

CHAPTER 11

MISCELLANEOUS MATTERS

29. Deeds returns

- (a) As soon as may reasonably be possible after the end of every month the Registrar of Deeds shall transmit to the Municipal Manager, a list in writing setting forth the name of every person who during the previous month transferred any immovable property situated in the municipality together with a short description of such property and the name of the transferee and the amount of the purchase price paid. In respect of every transfer entered upon the list the council shall pay to the Registrar of Deeds such a fee as may be prescribed in respect thereof or in terms of the Deeds Registries Act, 1937 (Act 47 of 1937).

30. Rates clearance certificates

- (a) In terms of section 118 of the Municipal Systems Act –

a registrar of deeds or other registration officer of immovable property may not register the transfer of property except on production to that registration officer of a prescribed certificate –

- (i) Issued by the municipality in which that property is situated; and
- (ii) which certifies that all amounts 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.

- (b) In the case of the transfer of immovable property by a trustee of an insolvent estate, the provisions of this section are subject to section 89 of the Insolvency Act, 1936 (Act No 24 of 1936)
- (c) An amount due for municipal service fees, surcharges 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.
- (d) The prescribed certificate shall be valid for a period of 120 days from date of issue.
- (e) Every effort will be made to issue a municipal clearance certificate within five (5) days of receiving payment.
- (f) Only in exceptional circumstances, which must be fully motivated, will an unconditional guarantee be accepted in lieu of a cash payment
- (g) The guarantee must be –
 - (i) issued by a recognized bank
 - (ii) unconditional
 - (iii) for the full amount outstanding
 - (iv) for a specified period of time acceptable to Council.
- (h) An attorney trust cheque may also be accepted in lieu of cash payment.
- (i) There shall be no refunds on the cancellation of a sale.
- (j) The municipality shall upon receipt of a written request furnish full details of the amounts contemplated in paragraph 29(a)(ii) and the fee fixed in terms of

paragraph 29(k), furnish within a period of five (5) working days from the date on which such request and fee are received, a written assessment fully specifying such details.

- (k) The fixed fee for the assessment statement contemplated in paragraph 20(j) will be fixed.
- (l) The assessment statement shall remain valid for a period of sixty days. If payment has not been received within this period, a re-assessment may be required and payment of a further assessment fee will apply.
- (m) The issue of a certificate in terms of paragraph 29(a) shall not in itself preclude the recovery by the council of any rates, penalties or amounts contemplated in that clause which have for any reason not been included in the relevant assessment statement contemplated in paragraph 29(j) or in such certificate but which are due and payable by the person who was the owner of the immovable property concerned immediately prior to the date on which such immovable property was transferred.
- (n) Where any amount paid for the purposes of obtaining a certificate contemplated in paragraph 29(a) is greater than the amount actually due and payable in respect of the rates, penalties and amounts so contemplated, the difference shall be refunded by the council to the person by whom such first mentioned amount was paid.

Rates adjustments shall be effective from 1 July 2012

2.13. LEGISLATION COMPLIANCE

- The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) became effective on 1 July 2004. Elements of the act have been phased in according to capacity of each municipality – high, medium and low.
- The LG:MFMA has introduced significant changes to the financial management of local government. One of the main changes in budget preparation is that the single year, line item budgeting – which was a common feature of the previous practices – has been replaced by multi-year budgeting at a more strategic level.
- The LG: MFMA aim to modernize budget and financial practices at all spheres of government, thereby facilitating effective service delivery. The general public plays an important role in ensuring a budget is set to reflect targeted service delivery. For example, during the budget preparation process, Section 21 of the LG: MFMA requires communities and residents within the municipal jurisdiction to be part of the Budget and Integrated.

- Development Planning (IDP) processes. Section 8 of this report describes how this has been achieved.
- Communities can also monitor the performance of the approved budget through regular reporting of the Service Delivery & Budget Implementation Plan (SDBIP) and the performance contracts of senior manager. These are prepared at the same time as the budget, thus ensuring alignment at the start of the financial year. Section 15 of this report provides some detail of the departmental SDBIP's that have been prepared. These highlight the key service delivery and performance targets that senior managers are accountable for.
- Some of the key budget reforms encapsulated within the LG: MFMA, that UMUZIWABANTU has applied, are:
 - Forward looking, multi-year budgets with strategic focus;
 - Clear links between budget allocations and agreed policies;
 - Improved integration of budget and planning processes;
 - Improved in-year reporting according to vote/function;
 - Improved financial management information;
 - Improvements to procurement and Supply Chain Management policies and processes;

The LG: MFMA implementation is monitored through regular reporting including:

- Quarterly reviews of LG: MFMA implementation plans and 12 urgent implementation priorities checklist;
- Monthly returns to National Treasury and monthly reports to Mayor and Council, as required by Section 71;
- Publication of information on the municipalities website (www.umuziwabantu.org.za) and
- Mid-year budget and performance assessment as required by Section 72

The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was prepared taking cognizance of the contents of the Municipal budget and reporting regulations, Local Government: Municipal Finance Management Act No 56 of 2003, Circular No. 51 and the LG:MFMA Budget Formats Guide received from National Treasury.

- The objective of the regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate
- lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters as required by the Act.

- **OTHER LEGISLATION**

The other important pieces of legislation when considering the budget processes are:

- The Division of Revenue Bill 2011 and
- The Municipal Systems Act (Act no. 32 of 2000), together with the Municipal Systems Amendment Act (Act No. 44 of 2003)
- **The Municipal Systems Act (Act no. 32 of 2000) and the Municipal Systems Amendment Act (Act No. 44 of 2003)**
- These acts form the basis of the links between the budget and the Integrated Development Plan (IDP). In particular, the aspects that have been considered in preparing the budget are:
- Community participation (Chapters 4 & 5);
- Performance management (Chapter 6) providing also the basis for measurable performance objectives in the Service Delivery and Budget Implementation Plan (SDBIP); and Tariff Policy (Chapter 8).

The promulgation of the MFMA and the Municipal Property Rates Act continues to yield the results on the operations of the municipality given the reforms and transformation to all the financial planning processes. The municipality will continue to strive to enhance and improve its compliance with these two respective legislation

- The MTREF is an expression of a continuous process of improving the financial planning process at a local government level incorporating revised formats in accordance with the National Treasury requirements.
- The current year Medium Term Expenditure Framework has been compiled in compliance with the MFMA and the required National Treasury requirements and has been completed within the legislative timeframes.

UMUZIWABANTU MUNICIPALITY



CREDIT CONTROL

AND

DEBT COLLECTION POLICY

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1. Definitions

- 1.1. **Credit Control** refers to all the functions relating to the collection of monies owed by the debtors and customers of the municipality.
- 1.2. **Customer Care and Management** - Customer care is defined as identifying and meeting customer needs and expectations. Customer management means the focusing on the consumer's needs in a response and proactive way to encourage payment, thereby limiting the need for enforcement. Customer management is ensuring that customers understand the municipality's service delivery and what the municipality expects from them in turn and the recourse both the municipality and the consumer have if expectations are not met. Customers should, whenever possible, be addressed in a language they understand.
- 1.3. **Debt Collection** - Collection of all money's owed to the municipality is compulsory. However, debt collection must take place in accordance with a credit control and debt collection policy, which must be consistent with the municipality's tariff policy (S96 of Municipal Systems Act).
- 1.4. **Child headed household** - A household where both parents are deceased and where all occupants of the property are children of the deceased, and are all under the legal age to contract for services and are considered as minors in law by the state.

2. Introduction

- 2.1. It is vital to the long-term financial viability of any municipality that it collects the revenues (such as levies, tariffs, rates and taxes) due to it for services rendered. In terms of section 96 of the Local Government Municipal Systems Act 2000, a municipality:

- Must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- For this purpose, the municipality must adopt, maintain and implement a credit control and debt control policy, which is consistent with rates and tariff policies and complies with the provisions of this Act.

2.2. This means that the appropriate credit control and debtors mechanisms must be maintained.

3. Objective

3.1. The objective of a credit control and debt collection policy is to define a framework within which effective procedures could be developed to identify defaulters, and ensure that their failure to meet their financial obligations towards the council would be treated in a consistent, fair and effective manner.

4. Factors that affect the implementation of a full credit control system

4.1 Lack of administrative capacity to implement credit control within municipalities.

4.2 Lack of political support and commitment from councillors.

4.3 Poor and inefficient accounting systems adopted by some municipalities resulting in inaccurate financial reports and incorrect statements.

4.4 Lack of financial resources throughout the payment collection system.

4.5 Insufficient customers pay points.

4.6 Non existence of a policy on indigent

5. **Credit Control Principles**

5.1 Credit control is the last step in ensuring payment for services rendered, the following principles should be considered

- Enforcement in a local matter subject only to relevant legislation.
- The municipal manager, who is entrusted with the determination and Exaction of credit control measures', must report to council on the implementation of the credit control policy.
- Enforcement and policy making must be independent to ensure accountability.
- Credit control measures must be understandable, uniform, fair and consistently applied.
- Credit control must be effective, efficient and economical.
- The measures must be sustainable in the long- term
- A proper indigence policy must be in place

6. Content of the Policy

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

- Credit control procedures and mechanisms;
- Debt collection procedures and mechanisms;
- Provisions for indigent debtors that is consistent with its rates and tariff policies and any national policy for indigents;
- Realistic targets with:
 - i)* generally recognized accounting practices and collection ratios; and
 - ii)* the estimate of income set in the budget less an acceptable provision for bad debts;
 - iii)* Interest on arrears, where appropriate;
 - iv)* Extensions of time for payment of accounts;
 - v)* Termination of services or the restriction of the provision of services when payments are in arrears;
 - vi)* Matters relating to unauthorized consumption of services, theft and damages; and
 - vii)* Any other matters that may be prescribed by regulation in terms of section 104 of the Local Government Municipal Systems Act, 2000.
- A credit control and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, tax services, service standards and other matters as long as differentiation does not amount to unfair discrimination.

- The result of an effective policy would improve the recovery rate of the council's debtors and would contribute to the realization of the Constitutional objective of providing basic services for human dignity.

7. Responsibility/Accountability

In terms of section 99 of the Municipal Systems Act, no 32 of 2000, a municipality' executive committee or executive mayor, if a municipality does not have an executive committee or executive mayor, the municipal council itself of a committee appointed by it, as the supervisory authority must:-

- a) Oversee and monitor:-
 - i) The implementation and enforcement of the municipality's credit control and debt collection policy and any by laws enacted in terms of section 98; and
 - ii) The performance of the municipal manager in implementing the policy and any bylaws;
- b) When necessary, evaluate or review the policy and any bylaws, or the implementation of the policy and any such bylaws, in order to improve efficiency of its credit control and debt collection mechanisms processed and procedures; and
- c) at such intervals as may be determined by the council report to a meeting of the council, except when the council itself performs the duties mentioned in paragraphs (a) and (b)
- d) In terms of section 100 (a) of the municipal systems act, no 32 of 2000, the **municipal manager** must implement and enforce the municipality's credit control and debt collection policy
- e) In terms of section 100 (c) the **municipal manager** must at such intervals as may be determined by the council report the prescribed particulars to a meeting of the Executive Committee.

- f) The communication of the credit control and debt collection policy to the community is the joint responsibility of the Councillors, Municipal Manager and municipal officials.
- g) In terms of section 11(c) of Schedule 1 of the Municipal systems act no 32 of 2000, a councillor may not obstruct or attempt to obstruct the Municipal Manager or any employee of the council to implement and enforce the municipality's credit control and debt collection policy.

8. **General rates Debtors**

Raised and collected in accordance with the provisions of the Local Government: Municipal Property Rates Act no 6 of 2004.

8.1 Credit Control Procedures and Mechanisms

- In terms of section 2 of the MPRA no 6 of 2004, the council shall have power **once in every financial year to assess and levy general rate** upon immovable property
- In terms of section 105 (1)(a), the council shall publish in a newspaper a notice containing an abstract of estimates of revenue and expenditure (including capital expenditure) **and stating the amounts at which such rates have been assessed.**
- In terms of section 26 of MPRA no6 of 2004 the council will recover rates:-
 - i) On a monthly basis or less often as may be prescribed in term Of MFMA; or

- ii) Annually , as may be agreed to with the owner of the property.
- Rates are payable on or before the date determined by council.
- Accounts to be furnished, to each person liable for the payment of rate with a written account specifying:-
 - i) the amount due for rates payable
 - ii) the date on or before which the amount is payable;
 - iii) how the amount was calculated
 - iv) the market value of the property;
 - v) if the property is subject to any compulsory phasing in discount in terms of section 21, the amount of the discount; and
 - vi) if the property is subject to any additional rate in terms of section 22, the amount due for additional rates

8.2Debt Collection Procedures and Mechanisms

8.2.1.1 Arrear General Rates

- Interest calculated at the market related rate in respect of any rates remaining unpaid after the final date of payment will be charged.
- If rates are in arrears for more that 90 days, a letter of demand stating that failure to settle the account on or before the end following month the consequences will be as follows:-
 - i) The outstanding account will be handed over to Council's attorneys for collection.
 - ii) The debtor will be liable for any legal costs incurred.
 - iii) As a result of non payment properties may be executed.

8.2.1.2 Provision for Indigent Debtors

- Policy to grant a rebate for pensioners and Indigent subject to certain conditions is in place.

8.2.1.3 Extension of Time for Payment

- A debtor who is in default can approach the Chief Financial Officer, and make acceptable arrangements in writing for the extension of time for payment, on the condition that penalties will continue to accrue until the full outstanding account is settled.
- If a debtor fails to comply with the terms of the agreement providing for an extension of payment, then the total amounts due shall become payable without further notice, or handed over to the council attorneys for collection

9. Consumer Debtors (Electricity and Refuse)**9.1 Credit Control Procedures and Mechanisms****9.1.1 Application for service (Service Agreement)**

- The application form for services is a contract. No person shall or be entitled to use services from municipality unless or until such person entered into an agreement in writing with municipality for services and such agreements together with the provisions of the relevant bylaws shall in all respects govern such services.

9.1.2 Deposits

The municipality reserve the right to require the consumer to deposit a sum of money or to provide a bank guarantee as security in payments of charges which are due or may become due to the municipality. Such deposit shall not be regarded as being payment or part payment of any accounts due for the supply of service

- The deposit should be equal to two and a half months average consumption and the basic charge, per consumer, for each applicable service

- Deposits of new business and industrial customers must be reassessed three months after the initial deposit date.
- All business and industrial deposits will be reviewed annually.
- On cessation of the services, the amount of such deposit, less any payments due to the municipality shall be refunded to the customers.
- When services are terminated due to non payment, the deposit will be reviewed and might be increased at the discretion of the Chief Financial Officer
- The total sum of deposits received shall constitute a short term liability in the books of the municipality. No interest shall accrue in favour of the depositor's thereof.

9.1.3 Payment of Charges

- Monthly accounts to be rendered to consumers for the amount due and payable at the address last working day of the municipality month.
- Accounts will show the following:
 - i) The consumption or estimated consumption within a specified period,
 - ii) The applicable tariff,
 - iii) The amount due and payable,
 - iv) The amount in arrears, if any,
 - v) The final date of payment, and

- vi) The method, name and location of any authorized agents where
Payments may be made.

- Method of Payment and Payment Points

Cash and cheque payments can be made at uMuziwabantu Municipality's cash office. If a customer wishes to deposit monies directly into the municipality's primary bank account the account details must be made available to the customer.

- An error or omission in any account or failure to render an account shall not relieve the consumer of his obligation to pay the correct amount due for services supplied to the premises and the onus shall be on the consumer to satisfy himself that the account rendered is in accordance with the prescribed tariff of charges in respect of services supplied to the premises

9.1.4 Reading of Conventional Meters

- Conventional meters shall normally be read at intervals of one month and the fixed or minimum charges due in terms of the tariff shall be assessed accordingly. The municipality shall not be obliged to effect any adjustments to such charges.
- If for any reason the conventional meters cannot be read, the municipality may render an estimated account which shall be adjusted in a subsequent account in accordance with the actual readings taken.
- If any calculating, reading or metering error is discovered in respect of any account rendered to a consumer, the error shall be corrected in subsequent accounts, Any such

correction shall only apply in respect of accounts for period of three years preceding the date on which the error in the accounts was discovered, shall be free of interest up to the date on which the correction is found to be necessary, and shall be based on the actual tariffs applicable during the period.

- On payment for the disconnected services council will reconnect within 24 hours.
- If disconnected 3 times or more in a 6 months period, the municipality will convert the conventional meter and prepaid meter will have to be installed at the property owner's expense.

9.1.5 Pre-Paid Electricity

- No electricity will be sold if the debtor does not produce the E-Kard identification.
- No electricity will be sold if the debtor is in arrears with the Refuse account.

9.1.6 Finalisation of Accounts

- The final account is payable within **30 days** after the account has been finalised

9.2 Debt Collection Procedures and Mechanisms

- After 30 days, when a final account or an active account where all services have been disconnected, remains unpaid, a final demand will be forwarded to the last known postal address.

- If no reaction is received on the final demand after another 30 days, the account is handed over to the Council attorneys for collection.
- If a handover account reaches the 90 day outstanding mark, it will be expected from the Council attorneys to submit a report indicating the reasons why the account is still not settled.
- In a case of doubtful debts, the CFO will approach the council, to consider the writing off the amount against the Bad debts Provision provided for in the Financial Statements.

9.2.1 Provision for Indigent Debtors

- All indigent households will receive free 50Kwh.

9.2.2 Extensions of Time of Payment

- A debtor who is in default can approach the Chief Financial Officer and make suitable and acceptable arrangements in writing for the extension of time of payment,
- If the overdue amount is outstanding for longer than 12 months, a minimum down payment of 50% shall be payable and the repayment period shall not exceed 12 months.

- If the overdue amount is outstanding for less than 6 months, a minimum down payment of 25% shall be payable and the repayment period shall not exceed 6 months.
- If the conditions as agreed to are not adhered to, a normal credit control procedures will be implemented.
- All future current accounts must be paid on the due dates, together with arrears arrangements.

9.2.3 Termination of Services

- Payments must reach the office of Financial Services on or before the due dates following month for which the accounts were rendered.
- If the account remains unpaid after the due dates, a penalty for late payment will be raised and services disconnected as soon as practicable possible after the due dates
- A notice that your service will be cut off will be delivered when doing the cut off.
- After disconnection for non payment of an account or contravention of any bylaws, the prescribed fees and any amounts due for services shall be made before the reconnection is done.

10. Authorised Consumption and Theft damages

- In a case of illegal connection of tempering, a fine for tempering with installation as determined by the council will be imposed.
- Where any electricity meter, supply or service mains, main fuse or other electricity apparatus of the council or its seals have in any way, been tampered with the meter, if it is not a prepaid meter, will be replaced by a pre paid meter at the cost of the owner/occupier.
- Where a prepaid meter has been tampered with, the electricity supply to the property will be disconnected until the owner/occupier has paid for a new prepaid meter, tampering cost as well as the outstanding arrears on the account.
- In cases where the tampering has resulted in the metering recording less readings than the true consumption, the Finance department shall have to recover from the consumer the full cost of his estimated consumption.
- Accounts which have had the services disconnected and are not reconnected within a reasonable period are to be checked for illegal connections. The meter should be checked within three days, and if the meter has been reconnected, the supply must be cut at low voltage (Lv) connection point (Pole or underground connection).
- Disconnected accounts, which are disconnected at the (Lv) connections, must further be checked within 3 days.
- Where electricity accounts remain outstanding or unpaid after disconnection has been effected for more than two months, the account will be handed over to the debt collectors for collection and / or legal action to the attorneys.

- These customers will have to make further arrangements at the attorneys and or debt collectors, for the arrear accounts. Current monthly accounts must still be paid to the municipality directly.
- In a case where premises are tenant occupied and tenant fails to pay the owner is liable

11. Sundry Debtors

This includes debtors such as office leases, town land leases, sale of municipal properties, encroachments and accounts for any other services

11.1 Credit Control Procedures and Mechanisms

- In respect of leases and sale of municipal land or assets the accounts are payable in accordance with the provisions of the relevant clauses of the Memorandum of Agreements.
- In respect of sundry debtors, the accounts are opened and raised as soon as the relevant information is received and payable within 30 days of rendering the account.
- A final demand is to be issued in respect of all accounts reflecting an amount outstanding for more than 60 days.

11.2 Debt Collection Procedure and Mechanism

- All arrear accounts in respect of the sale of erven are dealt with in accordance with the applicable clause in the Sale Agreements.
- Other sundry debtor's accounts, which still reflect on arrears amount after 90 days, are to be handed over for collection to council attorneys.
- Economic viability must be determined before hand overt of these accounts to council attorneys by the department of finance.

11.3 Extension of Time of Payment

- Suitable and Acceptable agreement or arrangement must be entered into with the department of finance in writing for the extensions for payment on merit.

12. Write off Procedures

- All write off's must be approved by council.

13. Clearance Certificates

- 13.1** Before any property can be transferred from one owner to another all arrears on rate and services must be payable after which the Municipality will issue a Rate clearance Certificate as proof that all rates and services has been paid in full.
- 13.2** The Municipality requires a deposit of the cost of three months rates of the relevance of a service prior to the issuing of such a clearance certificate.

14. Municipal Councillors and Employees

14.1 A municipal councillor or municipal employee may not be in arrears with the Council for rates and/or service charges for a period longer than three months, and the Council may deduct any outstanding amounts from the salary of such member of staff after this period, in accordance with item 10 of Schedule 2 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

This policy will be effective 1 July 2012

UMUZIWABANTU MUNICIPALITY

POLICY ON THE TREATMENT AND VALUATION OF INVENTORY

1. Definitions

The following words and phrases shall, when used in this policy, have the following meanings:

1.1 “CFO” shall mean the Chief Financial Officer of the Municipality;

1.2 “inventory” shall mean all inventory of the municipality, including the stores referred to in section 7;

1.3 “storekeeper” shall mean the person appointed as storekeeper under section 4.1 below.

2.Object of Policy

The object of this policy is to regulate the management, administration and control of inventory in the municipality.

3. Scope of Policy

This policy applies to all inventory kept within and outside the store building under supervision of the storekeeper.

4. Storekeeper

4.1 The CFO shall appoint a person in the Finance Department of the municipality as storekeeper.

4.2 The storekeeper shall be responsible for:

4.2.1 the safekeeping of inventory in accordance with section 5;

4.2.2 the receiving and issuing of items of inventory from the store rooms;

4.2.3 the maintaining of a proper record keeping system for inventory;

4.2.4 the performance of such other tasks as may be assigned to him or her according to the relevant job descriptions or the procedures referred to in section 7.

5. Safekeeping of Inventory

5.1 Inventory shall, until it is issued, at all times be safeguarded and kept in a suitable protected area. Wherever practical, such area shall be in an enclosed place, the entrance to which shall be locked.

5.2 No unauthorised entrance to any such area is permissible. Authorisation to enter such area may be granted only by [].

5.4 No person other than storekeeper, or any other person designated by the CFO, may have access to any keys for such area.

5.5 No person other than the storekeeper, or any other person designated by the CFO, may have control over the administration of inventory.

6. Items received

6.1 All items received will be acknowledged by issuing of a goods received note as prescribed by the CFO.

6.2 Such acknowledgement must state:

- the firm that was contracted with;
- the date of receipt;
- the type of items received;
- the quantity of each item;
- the invoice and delivery note numbers applicable;
- the unit price of each item;
- the total price of each item;
- the total price of all items according to invoice.

6.3 The storekeeper shall enter the details referred to in 6.2 in the register as prescribed by the CFO.

7. Procedures for the Ordering, Receipt, Maintenance, Issuing and Disposal of Stores

7.1 The procedures for the Ordering, Receipt, Maintenance, Issuing, and Disposal of Stores are contained in the Annexure hereto.

7.2 Such procedures shall be incorporated in and form part of this policy, and shall be adhered to accordingly.

7.3 The CFO shall be responsible for ensuring that such procedures are complied with.

7.4 Where the no particular person is charged in any particular procedure with the duty of carrying out such procedure, the CFO shall designate a person or persons within the Finance Department of the Municipality to carry out such procedure.

7. Valuation of inventory

7.1 The value of inventory will be shown at the **weighted average cost as stated in the inventory register**, such cost to be determined during every receipt and issue of stock. Such value will be disclosed in the annual financial statements of the municipality.

7.2 In cases of slow-moving, expensive items, a valuation shall be obtained in writing from specialist suppliers of such items, on the basis of which the cost shall be adjusted in the records of municipality.

8. Insurance of Inventory

8.1 The CFO shall insure inventory on at least a yearly basis with the municipality's appointed insurance firm.

8.2 The amount inventory shall be insured at shall not be less than the amount as determined in accordance with section 7 above.

10. Commencement

This policy shall come into force on 01 July 2012

2.15 MUNICIPAL MANAGER'S QUALITY CERTIFICATION

I, Mr. S.D. Mbhele, Municipal Manager of UMUZIWABANTU MUNICIPALITY, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act, No.56 of 2003 and, to the extent as indicated in the budget documents, the regulations made under this Act, and that the annual budget and supporting documentation are consistent with the draft Integrated Development Plan of the Municipality.

PRINT NAME: _____

MUNICIPAL MANAGER OF: _____ **KZN 214**

SIGNATURE: _____

DATE: _____